

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

HEARING ROOM A
CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, MARCH 21, 2001

10:00 A. M.

Reported by:
Valorie Phillips
Contract No. 150-99-002

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Michal C. Moore, Acting Chairman

Robert A. Laurie

Robert Pernell

Arthur H. Rosenfeld

STAFF PRESENT

Steve Larson, Executive Director

Bill Chamberlain, Chief Counsel

Ed Bouillon, Hearing Officer

Garret Shean, Hearing Officer

Major Williams, Hearing Officer

Gerry Bemis

Kyle Emigh

Jerolyn Fontes

Guido Franco

Caryn Holmes

David Mundstock

Pat Perez

James Reede

Prab Sethi

Lance Shaw

Peter Villanueva

PUBLIC ADVISER

Marija Krapceovich

Proceedings	1
Item 1, Consent Calendar	1
Item 2, Gas Research Institute	2
Item 3, Office of Emergency Services	7
Item 4, Administrative Subpoena	56
Item 5, CSUS Foundation	13
Item 6, Jones and Stokes (Removed)	
Item 7, Arthur D. Little, Inc.	16
Item 8, Exergy, Inc.	19
Item 9, South Coast Air Quality Management District	23
Item 10, Ford Motor Company	23
Item 11, Nissan North America, Inc.	23
Item 12, GM ATV Torrance	23
Item 13, American Honda	23
Item 14, Chrysler Corporation	23
Item 15, Energy Innovations Small Grant Program	25
Item 16, 2000 PIER Annual Report	27
Item 17, Blythe Energy Project	46
Item 18, Western Midway Power Project	30
Item 19, Mountainview Power Project	35
Item 20, Mountainview Power Project	44
Item 21, Biomass to Ethanol Report	65

Item 22, Minutes (Not considered)	
Item 23, Energy Commission Committee and Oversight (Not considered)	
Item 24, Chief Counsel's Report	99
Item 25, Executive Director's Report	103
Item 26, Public Adviser's Report	103
Item 27, Public Comment	103
Closing remarks	103
Adjournment	103
Certificate of Reporter	104

1 P R O C E E D I N G S

2 ACTING CHAIRMAN MOORE: Good morning,
3 everyone and welcome to the March 21st regular
4 meeting of the California Energy Commission.
5 We'll have the Pledge of Allegiance led by
6 Commissioner Pernell.

7 (Thereupon the Pledge of
8 Allegiance was said in
9 unison.)

10 Good morning, I am Michal Moore. I am a
11 Commissioner here at the Commission and unofficial
12 Vice Chairman and taking over for Commissioner
13 Keese who is in Washington, D. C. testifying
14 before a Congressional Committee today.

15 We'll take up our regular business items
16 including the consent calendar. And we have one
17 change on consent, Item B, the Change of Ownership
18 for Sunrise Power, which is moved to the April 4th
19 meeting.

20 Is there a motion on consent?

21 COMMISSIONER LAURIE: Moved.

22 COMMISSIONER PERNELL: Second.

23 ACTING CHAIRMAN MOORE: Moved by
24 Commissioner Laurie, seconded by everyone. All
25 those in favor signify by saying aye.

1 (Ayes.)

2 ACTING CHAIRMAN MOORE: Opposed?

3 Motion carries four to zero.

4 Item 2, Gas Research Institute.

5 Possible approval of Contract 700-00-002 for
6 \$725,000 to develop particulate matter source test
7 methods for stationary combustion sources.

8 Is there a staff report?

9 Mr. Franco.

10 MR. FRANCO: Good morning. My name is
11 Guido Franco. I am an Engineer with the PIER
12 Environmental Program working with Air quality and
13 global climate change.

14 Today I am requesting your approval of a
15 project with Gas Research Institute. The purpose
16 of this project is to develop new source test
17 methods to measure particulate matter emissions
18 from stationary combustion sources and gas
19 turbines in particular.

20 The new method will be able to measure
21 fine particles, that's particles less than 2.5
22 microns, ultra-fine particles, that's particles
23 less than .1 microns and PM 10, that is particles
24 less than 10 microns.

25 This project was approved I think like

1 six months ago. There is a growing consensus
2 among scientists that ambient particulate matter
3 concentrations are harmful to humans. There have
4 been several epidemiological studies associating
5 ambient PM concentrations with morbidity, that's
6 illnesses, and mortality.

7 For this reason the public is concerned
8 with PM emissions from proposed power plants. PM
9 emissions have become a very contentious issue in
10 the siting cases before the Commission. Existing
11 regulatory methods developed several years ago
12 seem to overstate PM emissions from gas turbines
13 and for combustion sources in general, but
14 especially for combustion sources that burn clean
15 natural gas or gaseous fuels.

16 These overestimations may be in the
17 order of two to ten, so there's a huge potential
18 of overestimation of emissions. The
19 overestimation may be mostly due to the fact that
20 existent regulatory methods are not able to
21 properly capture condensibles, and condensibles
22 are particles formed in the atmosphere immediately
23 after the gases are released into the atmosphere.

24 The proposed method will be based on a
25 design by Professor Glen Cass in the late 1980s,

1 when he was a professor at the California
2 Institute of Technology. His design allows the
3 flue gases to mix with clean air, simulating what
4 happens with the power plant plumes in the
5 atmosphere before PM measurements are taken.

6 The National Academy of Science
7 identified this area of research as a priority
8 because of the problems associated with existent
9 regulatory methods that may, in the end, result in
10 incorrect air quality management plans for
11 particulate matter or incorrect regulatory PM
12 offset requirements.

13 The final objective of this project is
14 for the new method to become a regulatory method.
15 For this reason we have contacted the U. S. EPA
16 and the Air Resources Board and obtained their
17 participation in this project. In the case of the
18 EPA they are also participating with laboratory
19 equipment and potentially with funds in the near
20 future.

21 The total cost for the Commission is
22 \$725,000. This will include not only the
23 development of the method, but the complete
24 testing of five power plants in California. This
25 amount will be leveraged with about half a million

1 dollars from GRI and NYSERDA. In addition, the U.
2 S. Department of Energy is contributing about \$1
3 million to the project.

4 It is also important to emphasize that
5 three of the most outstanding scientists on PM
6 research in the nation are participating in this
7 study. They are Professor Glen Cass, now with the
8 Georgia Institute of Technology. He was before
9 with the California Institute of Technology.
10 Professor Judith Chow with the Desert Research
11 Institute and Professor John Watson, also with the
12 Desert Research Institute.

13 Again the goal is to have a first-class
14 research project to ensure the acceptability of
15 the results by the scientific, regulatory and
16 regulated communities.

17 Again, finally, we are not entering
18 competition with the private industry in the
19 development of a new measuring techniques. The
20 reference methods are regulatory methods that
21 define what PM emissions are. Instruments
22 developed by the private sector need this
23 benchmark to compare their measurements with the
24 reference method.

25 Again, I'm asking for your approval for

1 this contract which will be highly beneficial to
2 the state. And finally, I'm ready to answer any
3 questions you may have. Thank you.

4 ACTING CHAIRMAN MOORE: Thank you, Mr.
5 Franco. I'm going to turn to Commissioner
6 Rosenfeld and ask for this comments and
7 elucidation on this issue for the rest of the
8 Board Members.

9 COMMISSIONER ROSENFELD: I have no
10 problems, I'm ready to move for approval.

11 ACTING CHAIRMAN MOORE: I'll entertain
12 that as a motion. Is there second?

13 COMMISSIONER LAURIE: Second.

14 ACTING CHAIRMAN MOORE: Second by
15 Commissioner Laurie.

16 Discussion?

17 Is there anyone in the public who would
18 like to address this on this item?

19 I've only one comment and that is that
20 it seems to me that this is a good step forward
21 for all of us. I appreciate Commissioner
22 Rosenfeld's input into this. I think that this
23 level of research is a mark of distinction for the
24 Commission as a whole and frankly I think sets a
25 standard that we should adhere to into the future.

1 I think it's literally world-class work
2 and we can be very very proud of it and hold it up
3 and I suspect that Mr. Larson will be doing just
4 that in his forays across the street in the
5 future. So, I'm very proud of the effort.

6 All those in favor say aye.

7 (Ayes.

8 ACTING CHAIRMAN MOORE: Those opposed?
9 That motion carries four to zero.

10 We have Item 3 on the agenda, the Office
11 of Emergency Services. For a \$50,000 contract to
12 prepare, conduct, facilitate and assist -- is
13 facilitate really a word in the English language?
14 Larson, maybe you could give us a report on that
15 later -- in the critique of an energy emergency
16 exercise on May 24, this year. And, Mr. Bemis.

17 MR. BEMIS: Thank you. I'll keep this
18 short, we have a long agenda.

19 We are seeking approval from the
20 Commission for \$50,000 for an interagency
21 agreement with the Office of Emergency Services,
22 California Specialized Training Institute, to
23 retain a Mr. Ferrara to plan and conduct a one-day
24 energy emergency exercise of the state's energy
25 shortage contingency plan on Thursday, May 24 of

1 this year.

2 In conjunction with the OAS training
3 facilitators, this is a full-scale statewide
4 exercise that will measure and test procedures of
5 our energy shortages contingency plan utilizing
6 participation from state agencies, local
7 governments and participants from the public
8 sector.

9 The exercise will include actual energy
10 conservation measures taken by state run
11 facilities to gauge the actual megawatt load
12 reduction. The ISO will measure the total
13 megawatt load reduced. Participants will be asked
14 to respond to this exercise as if it were a real
15 life emergency.

16 The goal is to test the effectiveness of
17 government and industry communication in our
18 ability to gather and assess information necessary
19 to prioritize delivery of energy resources. We
20 believe this exercise will ensure timely and
21 accurate information during a crisis period to
22 guide state and local actions to mitigate the
23 impacts of an energy emergency to maintain
24 essential services, alleviate distribution
25 inequities and reduce economic hardships.

1 During this test we'll implement the use
2 of our emergency notification system, also called
3 Dialogic in the agenda. This system allows
4 automatic notification to over a thousand city,
5 county and special districts when a stage two or
6 stage three emergency is imminent.

7 Notification is necessary so that
8 regional governments may implement energy
9 conservation measures. This exercise will provide
10 an opportunity to measure load reductions during a
11 simulated emergency. The exercise will be
12 conducted in partnership with several others,
13 including the Consumer Services Agency Task Force,
14 the Public Utilities Commission, Federal Agencies,
15 the Office of Emergency Services, Department of
16 General Services and the Department of
17 Corrections.

18 We're here to answer any questions.

19 ACTING CHAIRMAN MOORE: Thank you, Mr.
20 Bemis. Is it your intention to have one or more
21 Commissioners attend this, is that part of the
22 plan?

23 MR. BEMIS: No, I don't think that's
24 needed. We actually want participants to
25 actually, most of them, be at their places of work

1 so they can actually implement the test.

2 ACTING CHAIRMAN MOORE: I'd simply note,
3 in passing, that this is an area of great public
4 concern and that is the notification of how the
5 public becomes aware of the level of emergency,
6 not to exclude the idea that the rolling blackouts
7 in the recent two days, caught a number of people
8 off guard who are vital to the business community,
9 the core of our commerce center here in
10 California.

11 And I hope, very much, that during this
12 exercise that topic comes up and that the
13 redundant answer advanced by the utilities that
14 the bad guys will all know where the burglar
15 alarms are off, gets tossed in the trash heap and
16 we get down to some serious business about how to
17 notify the public realistically. And if the ISO
18 can't do it, then they need some better engineers
19 to drum up a way to get notification out.

20 Last time I checked it was 2001 and we
21 did have some electronic advances that we've made
22 in about the last ten years. So maybe someone can
23 communicate that to the utilities, beleaguered as
24 they are, and to the ISO and get this turned
25 around, because this isn't going to cut it, not in

1 the summer that's coming.

2 Questions from Board Members?

3 Commissioner Laurie.

4 COMMISSIONER LAURIE: Mr. Chairman, I
5 would go further. According to our emergency plan
6 there are certain Commissioners designated as
7 having responsibility to the Governor, to the
8 Legislature and to the public for energy
9 emergencies. I would suggest that that plan be
10 read and that Commissioner who is responsible, as
11 designated in the energy plan, be urged to
12 participate in the exercise.

13 With that I would move the
14 recommendation of staff.

15 ACTING CHAIRMAN MOORE: Moved. Is there
16 a second?

17 COMMISSIONER PERNELL: Second.

18 ACTING CHAIRMAN MOORE: Will the maker
19 of the motion accept the appointment of
20 Commissioner Pernell as a designee to attend this?
21 I know he has the time.

22 COMMISSIONER LAURIE: I would be honored
23 to do so, to mandate Commissioner Pernell's
24 participation.

25 ACTING CHAIRMAN MOORE: Does the second

1 enthusiastically concur?

2 COMMISSIONER PERNELL: Yes.

3 ACTING CHAIRMAN MOORE: Okay, you're
4 drafted Commissioner Parnell.

5 Is there public comment on this item?

6 All those in favor say aye?

7 (Ayes.)

8 ACTING CHAIRMAN MOORE: The motion
9 carries four to zero.

10 On Item 4, the Administrative Subpoena,
11 we're going to hold that until later in the
12 meeting, just as we say trail it. I know there's
13 some public comment and we'll pick it up a little
14 bit later in the agenda.

15 ASSOCIATE PUBLIC ADVISER KRAPCEVICH:
16 Just for the record, that Pat Fleming did call
17 in --

18 ACTING CHAIRMAN MOORE: This is the
19 Public Adviser speaking.

20 ASSOCIATE PUBLIC ADVISER KRAPCEVICH:
21 Right, this is the Associate Public Adviser Marija
22 Krapceovich, speaking. And I just want it noted
23 for the record that Pat Fleming did call in at
24 nine a.m. from the San Diego Airport and that she
25 was still stuck there and that she is concerned,

1 but she has no major comments at this time.

2 ACTING CHAIRMAN MOORE: Well, I don't
3 think it's too difficult to push it over a little
4 bit and we'll entertain here comments if she gets
5 here before the end of the meeting.

6 And, by the way, I was lax in indicating
7 that I know we have some listeners who are
8 listening on the web cast, which we're trying to
9 improve over time, so to those I know that there
10 are listeners as far away as, unbelievably,
11 Cambridge, England, who are listening today, and
12 as far away in the state as Eureka, so we welcome
13 you to our board meeting in virtual space.

14 Let's take Item 5, the CSUS Foundation
15 contract 200-96-010, Amendment 3, for \$3 million
16 to add spending authority of a million dollars for
17 each fiscal year, '02, '03, and '04 and extend the
18 contract term to '07 and to equal the liquidation
19 period for these funds.

20 So, let me turn to Kyle.

21 Good morning.

22 MR. EMIGH: Good morning, Commissioners.
23 My name is Kyle Emigh, I'm in the Budget Office
24 here at the Commission. And I'm here this morning
25 to request your approval for amending the student

1 contract.

2 The student contract is a valuable
3 resource here at the Commission in helping meet
4 peak workload demands in a variety of program
5 areas. It has also provided practical work
6 experience to the students in their field of study
7 and has been an excellent recruitment tool for the
8 Commission.

9 This amendment, if approved, will add
10 three million in authority to the contract, one
11 million for the next three fiscal years and extend
12 the expiration to '07 to match the appropriation
13 in '01-'02.

14 I just want to reiterate that this
15 funding will add only authority to the contract
16 and we're not seeking any approval of dollars this
17 morning. All future funding will go through the
18 standard process to add, meaning resource
19 allocation and/or mid-year review.

20 I'm requesting your approval this
21 morning.

22 ACTING CHAIRMAN MOORE: One of the
23 benefits that we get, of course, of having
24 students in the system is that we get future
25 employees who are well trained, certainly know the

1 ethic and the procedures around here. It's a
2 tremendous benefit to all of us and I know my
3 office is very grateful for the help we've gotten
4 in the past. I suspect the other Commissioners
5 are as well.

6 COMMISSIONER PERNELL: Mr. Chairman.

7 ACTING CHAIRMAN MOORE: Commissioner
8 Pernell.

9 COMMISSIONER PERNELL: Mr. Chairman, I
10 echo what you have said and the students have been
11 a valuable asset to the Commission and our
12 workload and I would be honored to move the item.

13 ACTING CHAIRMAN MOORE: So moved by
14 Commissioner Pernell.

15 COMMISSIONER ROSENFELD: Second.

16 ACTING CHAIRMAN MOORE: Seconded by
17 Commissioner Rosenfeld.

18 Is there public discussion on this
19 motion? Anyone in the public like to address
20 this, students who'd like to have a job here?

21 Seeing none, all those in favor signify
22 by saying aye?

23 (Ayes.)

24 ACTING CHAIRMAN MOORE: Those opposed?

25 That motion carries four to none.

1 The Item 6, Jones and Stokes contract
2 has been pulled from the agenda.

3 Item 7, Arthur D. Little contract, 500-
4 00-002, Amendment 1 for \$562,500 in increased
5 spending authority in technical support for the
6 light duty, medium duty and heavy duty alternative
7 fuel vehicles.

8 Is there a staff member who'd like to
9 introduce this item?

10 Jerolyn? Good morning.

11 MS. FONTES: Good morning.

12 ACTING CHAIRMAN MOORE: You'll have to
13 speak very close to the microphone.

14 MS. FONTES: Good morning, I am Jerolyn
15 Fontes with the Development Division,
16 Transportation Technology and Fuels Office.

17 The staff is requesting Commission
18 approval of a contract amendment with Arthur D.
19 Little, Incorporated to increase the spending
20 authority by \$562,500. This reflects funding for
21 the following unanticipated high priority
22 projects.

23 The Energy Commission has been directed
24 by legislation, AB 2076, to examine the
25 feasibility of operating a strategic fuel reserve

1 and to examine and recommend an appropriate level
2 of reserves.

3 The Energy Commission is required to
4 report its finding to the Legislature by January
5 31st, 2002, including, if warranted, a request for
6 specific statutory authority and funding for
7 establishment of a reserve.

8 The purpose of a reserve is to insulate
9 California customers and businesses from
10 substantial short term price increases arising
11 from refinery outages and other similar supply
12 interruptions.

13 The legislation further directs the
14 Energy Commission to develop and adopt
15 recommendations for the Legislature and Governor
16 on a California strategy to reduce petroleum
17 dependence.

18 Secondly, the Energy Commission has also
19 been directed by legislation AB 2098 to evaluate
20 and report by January 31st, 2002 on the
21 feasibility of construction of a pipeline from the
22 gulf coast to California. This amendment would
23 allow the Commission to fund this urgent work
24 under an existing contract.

25 The contract, 500-00-002, provides

1 technical support for light-duty, medium-duty and
2 heavy-duty alternative fuel vehicles that
3 demonstrate a variety of fuels. The existing
4 contract authority is \$1.875 million and the term
5 of that particular contract is from August 23rd,
6 2000 to December 31st, 2002. With this
7 augmentation the contract total will be \$2.4375
8 million.

9 ACTING CHAIRMAN MOORE: Thank you,
10 Jerolyn. I will indicate to the Commissioners
11 that this item has come before the Fuels Committee
12 and is recommended to you for approval. We're
13 obviously trying to build up some of our
14 capabilities in the fuels area that have been a
15 bit neglected in the past and to get some
16 additional strength in terms of our ability to
17 analyze and render judgment on market conditions.

18 This is not the first, but it's
19 certainly a strong indicator of how much support
20 we want to put behind that, and I will offer a
21 motion on the floor for approval on behalf of the
22 Fuels Committee.

23 ACTING CHAIRMAN MOORE: Is there a
24 second?

25 COMMISSIONER ROSENFELD: Second.

1 ACTING CHAIRMAN MOORE: Second by
2 Commissioner Rosenfeld.

3 Discussion on this item? Anyone in the
4 public who'd like to address us?

5 Commissioners, questions?

6 All those in favor signify by saying
7 aye.

8 (Ayes.)

9 ACTING CHAIRMAN MOORE: Those opposed?
10 That motion carries four to zero.

11 Thank you, Jerolyn.

12 We have on Item Number 8, one of our
13 page burners from the legal profession here, the
14 change in royalty agreements on Exergy, Inc., the
15 approval of Contract Number 500-86-001 Amendment 1
16 to revise the royalty repayment term of the Energy
17 Technology Advancement Program Project for the
18 testing of a 3.2 megawatt advanced Raline Cycle
19 Demo plant, and we have a staff report. Prab.

20 MR. SETHI: My name is Prab Sethi and
21 I'm working with the Technology System Division
22 and I'm requesting approval to amend terms of the
23 royalty agreement with Exergy, Incorporated.

24 For the public record, I think the item
25 shown here in the agenda, instead of Raline, R-a-

1 l-i-n-e, should be Kalina, K-a-l-i-n-a Cycle Demo
2 plant.

3 Now Exergy was awarded \$1.25 million in
4 1987 for construction and demonstration of a
5 Kalina Cycle plant in Canoga Park under the Energy
6 Technologies Advancement Program. This contract
7 was amended to provide an additional \$1 million in
8 1994 for purchase and installation of a gas
9 turbine system to provide an alternative source of
10 heat for the clean air cycle.

11 At this time the contract was changed to
12 the royalty agreement, under which Exergy will be
13 paying up to three times the funded amount. That
14 is Exergy may pay up to \$6.25 million for the
15 \$2.25 million funded by the Commission.

16 Exergy has so far made two payments to
17 the Energy Commission in the amounts of \$250,000
18 and \$25,000 and is willing to make an additional
19 payment of \$125,000 by June 30th of this year.

20 Exergy is trying to raise additional
21 funding from investors to proceed with a number of
22 projects, including two projects with the U. S.
23 Department of Energy. However, Exergy is required
24 to pay the Energy Commission approximately \$2
25 million at this time under terms of the existing

1 royalty agreement and therefore cannot raise
2 additional funding.

3 The investors are telling Exergy that
4 new funding, if provided, will be passed on to the
5 Energy Commission instead of being invested in the
6 company. A financial consultant was hired to
7 perform a financial review of Exergy and examine
8 if the Commission should amend the minimum royalty
9 payment requirement to help Exergy, Incorporated,
10 raise additional funding from the investors.

11 The financial consultant has recommended
12 amending this agreement, and the request also with
13 the financial consultant agrees with that, is to
14 delete the requirements for the minimum repayment
15 at this time, although Exergy will still pay the
16 Energy Commission five percent of the future gross
17 revenues.

18 Secondly, allow Exergy to pay an accrued
19 royalty payment of \$125,000 by June 30th of this
20 year. The third item is waive late fee and
21 interest due on the accrued \$125,000 royalty
22 payment. And the fourth item is Exergy will pay
23 an additional \$5,000 from future royalty payments
24 by June 30th for consideration to amend the
25 contract.

1 ACTING CHAIRMAN MOORE: What happens if
2 they can't make the \$125,000 payment in June of
3 this year?

4 COMMISSIONER PERNELL: Plus the five?

5 MR. SETHI: Plus we do have in there
6 that there is interest on that, in case they
7 cannot pay us. We have already built that in the
8 existing royalty agreement. There is a --

9 ACTING CHAIRMAN MOORE: So the interest
10 just keeps accruing if they can't pay?

11 MR. SETHI: That's right.

12 ACTING CHAIRMAN MOORE: Commissioners,
13 questions? Your pleasure.

14 COMMISSIONER PERNELL: Mr. Chairman, I
15 would move the item on staff recommendations.

16 ACTING CHAIRMAN MOORE: Moved by
17 Commissioner Pernell to support the staff
18 recommendations. Is there a second?

19 COMMISSIONER ROSENFELD: Second.

20 ACTING CHAIRMAN MOORE: Second by
21 Commissioner Rosenfeld.

22 Discussion? Anyone in the public who
23 would like to comment on this item?

24 All those in favor say aye.

25 (Ayes.)

1 ACTING CHAIRMAN MOORE: That motion
2 carries four to zero.

3 On Items 9 through 14 -- is Peter here?
4 I think what we'd like to do is get you to review
5 all the items simultaneously and then we'll have a
6 collective picture. They're all related.

7 MR. VILLANUEVA: Okay. Thank you, Mr.
8 Chairman.

9 Items 9 through 14 are part of the
10 Electric Vehicle Infrastructure Incentive Program
11 in which the Energy Commission and the South Coast
12 Air Quality Management District partnered to
13 provide incentives for the purchase or
14 installation of electric vehicle chargers.

15 The program provides incentives
16 currently of up to \$750 per incentive, with the
17 Energy Commission providing \$500 per incentive and
18 the South Air Quality Management District
19 providing 250 per incentive.

20 Today, for Item 9, I'm requesting
21 possible approval to amend payment conditions,
22 with the Energy Commission providing \$250 per
23 incentive and the South Coast AQMD providing \$500
24 incentive.

25 The Ford Motor Company, Item 10,

1 contract is to provide incentives, infrastructure
2 incentives, for the U. S. Postal Service EV
3 purchases. In '94 the USPS purchased six EVs and
4 then decided a few years later to increase their
5 fleet of up to 400 within California and they
6 requested some funding to be -- for funding
7 assistance for the EV charging infrastructure. So
8 this is the vehicle to provide those incentives.

9 And Items 11 through 14 are just
10 basically no cost time extensions to potentially
11 expend the balance of the funding that's in these
12 contracts.

13 ACTING CHAIRMAN MOORE: Thank you.

14 I will indicate that all these items
15 come to you with the recommendation for approval
16 from the Fuels Committee. And, just to offer one
17 caveat, I know there are those out there who are
18 wondering where the support for some of the hybrid
19 vehicles are. I'll just simply say, it's not in
20 this program, but it's not as though that support
21 or that interest is lost on the Committee and so I
22 want to assure those of you who have been
23 interested in this in the past that there is equal
24 interest in trying to promote some of the
25 transition technologies as well as some of the all

1 electric technologies.

2 I know Commissioner Pernell is very much
3 interested and involved in the Postal Service. Do
4 you have any comments, Commissioner?

5 COMMISSIONER PERNELL: None at this
6 time. This is an item that actually the work was
7 done earlier, last year, as I recall, so I'm glad
8 to see that.

9 I'm also glad to see the interest from
10 the Committee in looking at alternative fuels and
11 I think that's a very positive direction that
12 we're moving in.

13 ACTING CHAIRMAN MOORE: On behalf of the
14 Committee, Commissioner Keese being absent, I'll
15 offer a motion for approval of Items 9, 10, 11,
16 12, 13 and 14 en bloc.

17 COMMISSIONER LAURIE: Second.

18 ACTING CHAIRMAN MOORE: Second by
19 Commissioner Laurie.

20 Discussion?

21 All those in favor indicate by saying
22 aye.

23 (Ayes.)

24 ACTING CHAIRMAN MOORE: Those opposed?

25 The motion carries.

1 Thank you, Peter.

2 Item 15, the Energy Innovations Small
3 Grant Program. Possible approval of Public
4 Interest Energy Research PIER program funding for
5 four grant projects, totaling \$297,315, and Phil
6 Misemer is not visible in the audience.

7 Commissioner Rosenfeld, do you want to
8 comment on this item for us?

9 COMMISSIONER ROSENFELD: The Committee
10 has approved all of them. I don't know where Phil
11 is, but I don't know of any controversy.

12 COMMISSIONER LAURIE: And I would
13 concur, Mr. Chairman, and if Commissioner
14 Rosenfeld wants to make the motion supporting
15 staff's and Committee's recommendation, I would
16 second that motion.

17 ACTING CHAIRMAN MOORE: I'll accept that
18 as a motion from Commissioner Rosenfeld, second by
19 Commissioner Laurie.

20 The PIER program has been increasingly
21 one of our success stories here and I think that's
22 due in no small measure to the interest and
23 activity of the Commissioners involved and I
24 applaud them for that.

25 Is there anyone here who'd like to

1 comment on that? We have another PIER item coming
2 up in terms of the annual report.

3 All those in favor say aye.

4 (Ayes.)

5 ACTING CHAIRMAN MOORE: Those opposed.

6 That motion carries four to zero.

7 The 2000 PIER Report. The Consideration
8 and possible approval of that report to the
9 Legislature. It identifies the status of the
10 program and the projects that are currently funded
11 under it. That report is required under AB 1890
12 and it's due before March 31st. We have a similar
13 report coming out on renewables.

14 Is there anyone who'd like to comment on
15 the report? It's been out for public distribution
16 and is available, I understand, on the web for
17 anyone who is interested.

18 Commissioner Rosenfeld.

19 COMMISSIONER ROSENFELD: I know, I move
20 adoption.

21 ACTING CHAIRMAN MOORE: Moved by --

22 COMMISSIONER ROSENFELD: It's not
23 adoption --

24 ACTING CHAIRMAN MOORE: Well, I think we
25 can accept it and I'll accept --

1 COMMISSIONER PERNELL: Second.

2 ACTING CHAIRMAN MOORE: -- a second by
3 Commissioner Pernell to accept that report.

4 All those in favor signify by saying
5 aye.

6 (Ayes.)

7 ACTING CHAIRMAN MOORE: Those opposed?

8 Motion carries and thank you, Mr.

9 DeAngelis for that great staff work and support on
10 the item, and probably racing downstairs when you
11 heard it on the speaker phone. Well done.

12 COMMISSIONER LAURIE: Mr. Chairman, I
13 would note that the report of the independent
14 review panel of the PIER program is now out as of,
15 I think, yesterday. And that we'll want to be
16 reviewed and commented upon by the R and D
17 Committee.

18 ACTING CHAIRMAN MOORE: I'll look
19 forward to those comments and the review and in
20 anticipation of a gentler letter than we had in
21 previous years.

22 COMMISSIONER LAURIE: I think it's going
23 to be pretty good.

24 ACTING CHAIRMAN MOORE: Good, I applaud
25 that.

1 Item 17, the Blythe Energy Project.
2 Consideration and possible adoption of the
3 Presiding Member's Proposed Decision recommending
4 certification of the Blythe Energy Project, 520-
5 megawatt power plant proposed by Blythe Energy
6 LLC for construction in Riverside County.

7 COMMISSIONER LAURIE: Mr. Chairman.

8 ACTING CHAIRMAN MOORE: Commissioner
9 Laurie.

10 COMMISSIONER LAURIE: Chairman Keese is
11 Presiding Member, I am second Member, I support
12 the Presiding Member's decision. Mr. Bouillon.

13 MR. BOUILLON: Commissioners, if I might
14 inquire of the audience whether there's anyone
15 here who needs a Spanish translation of this?
16 We've had some difficulties with that in the past
17 and we've arranged for an interpreter to be here
18 at 11 o'clock.

19 ACTING CHAIRMAN MOORE: Oh, that's
20 right, excuse me.

21 MR. BOUILLON: So if there is anyone
22 here --

23 ACTING CHAIRMAN MOORE: Is there anyone
24 here who needs an interpreter, because we'll
25 postpone the item?

1 Seeing none, I'm going to turn the --

2 ASSOCIATE PUBLIC ADVISER KRAPCEVICH:

3 How about the web cast?

4 ACTING CHAIRMAN MOORE: You know, that's
5 true, you are right on the web cast. You know
6 what, gentlemen, let me ask for your indulgence
7 and that's my error, I apologize. Let's table
8 this item until 11 o'clock. We'll take it up at
9 that time. Excuse me for that.

10 On Item 18, Western Midway Power
11 Project. Possible consideration of the Presiding
12 Member's Proposed Decision, or PMPD, for licensing
13 the 500-megawatt natural gas-fired Midway Sunset
14 Power Project and consideration of any proposed
15 amendments to the project.

16 COMMISSIONER PERNELL: Mr. Chairman.

17 ACTING CHAIRMAN MOORE: Commissioner
18 Pernell.

19 COMMISSIONER PERNELL: Before we begin,
20 I was the Presiding Member of the project, along
21 with Commissioner Laurie. I would certainly
22 appreciate his assistance.

23 What I'd like to do before I make a
24 motion is recognize some people that worked on the
25 project and that is the Hearing Officer, Major

1 Williams, that is the staff attorney, Mr.
2 Mundstock, Project Manager, Mr. Caswell and of
3 course the Applicant attorney, Mr. Western. So
4 with that, I'll turn you over -- is it Western?
5 Did I do that correctly? Ed Western.

6 ACTING CHAIRMAN MOORE: Let me ask for
7 introductory remarks by Major Williams, bring it
8 back to the Commissioners for a motion and then
9 we'll entertain the public discussion on it.

10 COMMISSIONER PERNELL: Okay.

11 ACTING CHAIRMAN MOORE: Major, you want
12 to introduce?

13 MR. WILLIAMS: Thank you, Commissioner
14 Moore and good morning Commissioners.

15 Western Midway Sunset Cogeneration
16 Company is the Applicant here today. They are
17 presenting the project. This is their second
18 project that has gone before this Commission.
19 Back in May, 1987 the Commission approved a 225-
20 megawatt facility.

21 The current proposed project will sit
22 adjacent to that 225-megawatt facility in western
23 Kern County. This project is a 500-megawatt
24 project. We've detailed the great economic
25 benefit that it will have to the community in

1 western Kern County. And with that, I think I'll
2 turn it over to the parties.

3 ACTING CHAIRMAN MOORE: Thank you. Let
4 me turn to Mr. Mundstock on behalf of the staff.

5 SENIOR STAFF COUNSEL MUNDSTOCK: The
6 Energy Commission staff supports the proposed
7 decision and the licensing of this facility.

8 ACTING CHAIRMAN MOORE: Well, I probably
9 couldn't ask for anything briefer than that.

10 (Laughter.)

11 ACTING CHAIRMAN MOORE: Thank you, Mr.
12 Mundstock and --

13 COMMISSIONER PERNELL: That sounds like
14 a motion.

15 (Laughter.)

16 ACTING CHAIRMAN MOORE: And let me turn
17 to the Applicant and ask for your comments and
18 then I'm going to bring this back to the dais.

19 MR. BROOKHYSER: Commissioners, my name
20 is Donald Brookhyser. I am counsel for the
21 Applicant. Although I would consider it a
22 promotion, Mr. Western, who is sitting on my left,
23 is actually the Executive Director of the Midway
24 Sunset Power Project and I guess the chief force
25 behind the last 12 months of development effort.

1 We accept the proposed decision and have
2 no comments or request for changes. We'd
3 certainly echo the comments of Commissioner
4 Pernell, recognizing the great efforts of staff on
5 this project. The last 12 months have been a very
6 vigorous scrutiny by the staff, but they've always
7 been willing to deal with the Applicant in a
8 cooperative and professional manner and we've
9 appreciated Mr. Caswell and all the efforts of
10 staff in that regard.

11 Thank you.

12 ACTING CHAIRMAN MOORE: Thank you.

13 Commissioner Pernell, I believe it comes
14 back to you.

15 COMMISSIONER PERNELL: Thank you, Mr.
16 Chairman. I've mentioned the Commission's
17 appreciation to everyone and what I didn't do is
18 mention the counsel, which is Don, so I apologize
19 for that, Don.

20 I do want to thank all of the
21 Commission, the Public Adviser's Office and
22 everyone that assisted in that and at this time
23 I'm prepared to make a motion, Mr. Chairman.

24 ACTING CHAIRMAN MOORE: I accept the
25 motion for approval of the Presiding Member's

1 Proposed Decision on the Midway Sunset Power
2 Project.

3 Is there a second?

4 COMMISSIONER LAURIE: Mr. Chairman, I
5 would like to offer my appreciation for
6 Commissioner Pernell's outstanding efforts as
7 Presiding Member in this case. I think the case
8 was handled with a high degree of professionalism
9 from all involved and I'm pleased and honored to
10 offer my second to the motion.

11 ACTING CHAIRMAN MOORE: Second is
12 accepted. Are there comments on the motion?

13 Is there any public comment on this
14 item, anyone in the public who would like to
15 address us and has comments about the proposed
16 decision?

17 Seeing none, I'll only indicate that it
18 must have been a good set of hearings because
19 Major Williams said it was a lot more fun to work
20 on this than any of my cases.

21 (Laughter.)

22 ACTING CHAIRMAN MOORE: So I don't know
23 what you guys did in those hearings but I'll have
24 to take some lessons from it.

25 All those in favor say aye.

1 (Ayes.)

2 ACTING CHAIRMAN MOORE: Those opposed?

3 That motion carries four to zero.

4 COMMISSIONER LAURIE: Perhaps one should
5 not overlook the obvious.

6 (Laughter.)

7 ACTING CHAIRMAN MOORE: All right.

8 Well, let's go to one of my items and
9 I'll see if I can get some able assistance from
10 staff on this.

11 We have Items 19 and 20 concerning the
12 Mountainview Power Project. In Item 19 is the
13 consideration and possible adoption of the
14 Presiding Member's Proposed Decision in the 1,056
15 megawatt natural gas-fired Mountainview
16 Application for Certification. That is 00-AFC-2
17 and let me ask Mr. Garret Shean to introduce the
18 item. We, I think, have a little bit of a change
19 coming up. Mr. Shean.

20 MR. SHEAN: Thank you, Commissioner.

21 This is the hearing for the adoption of
22 the Presiding Member's Proposed Decision which is
23 fundamentally unchanged from its original
24 publication. I would just like to indicate that
25 this case went very smoothly. Because of the

1 cooperative approach of the Applicant and of the
2 staff through a series of innovations offered by
3 the Committee which were adopted and run with by
4 both the Applicant and the staff the matter was
5 moved along quickly.

6 There were some substantive issues as
7 the case began, but the cooperative approach of
8 the Applicant, particularly on the matter of the
9 biology for the crossing of the Santa Ana River
10 brought the more problematic matters to a close.

11 The involvement of the City of Redlands
12 and the County of San Bernardino were also helpful
13 with respect to the Santa Ana River trail, which
14 is a part of the county recreation system, and the
15 mitigation provided by the Applicant for potential
16 visual impacts helped gain the cooperation of the
17 county.

18 And with that I would just say that I am
19 very thankful and appreciative both to the
20 Applicant and the counsel, who is not here, John
21 McKinsey, I think he deserves a lot of credit. As
22 well as to our staff here, James Reede and David
23 Abelson for their contribution to making this case
24 go so well.

25 ACTING CHAIRMAN MOORE: Thank you. Let

1 me turn to staff and ask for comments.

2 PROJECT MANAGER REEDE: Thank you,
3 Commissioner Moore. This particular project moved
4 ahead because we were a pilot project in that we
5 were the first project to actually use electronic
6 filing. As such we were also the first project to
7 issue a Presiding Member's Proposed Decision with
8 a CD attached to that, an electronic format that
9 the public could access the Presiding Member's
10 Proposed Decision.

11 We finished this project in ten months.
12 It could have been finished even sooner, however
13 there was a delay from one of the agencies
14 providing us information. It shows that when we
15 work as a team with the Applicant, even though we
16 are an independent party, that we can move these
17 projects along, absent forced marches, so to
18 speak.

19 We did complete it in record time. The
20 Applicant was very cooperative and they made a
21 number of modifications to their Application for
22 Certification that resolved potential issues early
23 in the process and we moved it along.

24 ACTING CHAIRMAN MOORE: Thank you.
25 Counselor.

1 MR. VARANINI: Thank you, Mr. Chairman.
2 My name is Gene Varanini with the Livingston and
3 Mattesich law firm. Before I turn it over to Gary
4 Chandler, the manager of the project, I just want
5 to make a point of clarification.

6 The reason that John McKinsey isn't here
7 today is that he's in Baltimore attending a major
8 conference on integration of technology and policy
9 and I would say from the firm's perspective, just
10 if I could be permitted just a short PR piece, --

11 ACTING CHAIRMAN MOORE: We would deny
12 you that in this forum?

13 (Laughter.)

14 MR. VARANINI: John McKinsey is a former
15 nuclear submariner who knew how to surface a
16 boat --

17 ACTING CHAIRMAN MOORE: I just knew that
18 was coming.

19 (Laughter.)

20 MR. VARANINI: -- was almost drowned by
21 a C.O. at one time who forgot to shut the hatch
22 and who is a delight to work for a young man of
23 incredible innovation and capability who can both
24 create and take direction, which is just simply
25 wonderful. He really supports the adage, for in

1 the firm anyway, that you're as good as your
2 people are. It's the same thing in many respects.
3 It happened to be when I worked here we did some
4 very innovative things, but I really want him to
5 receive acknowledgment.

6 I want to make sure the folks understand
7 this is not a last minute displacement to take any
8 credit. He is a fine capable attorney and also a
9 very good energy and electricity technical person.
10 Excuse me for doing that, but I just thought it
11 needed to be said.

12 MR. CHANDLER: All right. Well, I'll
13 agree with you there, Gene.

14 It's nice to be on this end of the
15 project, rather than the front end where we
16 started, as James Reede indicated, about ten
17 months ago.

18 The thoughts that I had regarding the
19 Mountainview Power Project then are the same as
20 they are today, and that is that if this project,
21 given its location, the siting, the
22 interconnections and everything else, the
23 infrastructure that's there, if this project
24 doesn't work, there's no project in California
25 that will work.

1 And I think that's been very evident as
2 we've gone through this whole process. We
3 appreciate the efforts of Garret Shean, the
4 Hearing Officer, James Reede, the Project Manager,
5 Commissioner Moore, who did attend some of our
6 meetings and I think we provided good food in all
7 instances.

8 (Laughter.)

9 MR. CHANDLER: But because of those
10 efforts and I think the very responsive and
11 cooperative work on our side as well, this project
12 was able to move forward in a very timely manner.
13 And, as Mr. Reede indicated, it could have been
14 done a couple of months sooner, perhaps, if all of
15 the agencies had cooperated. Nevertheless it was
16 accomplished in record time.

17 ACTING CHAIRMAN MOORE: Thank you very
18 much.

19 MR. VARANINI: Commissioner Moore, could
20 I add one thing? I think that, for the record,
21 it's important to note that the staff and the
22 staff experts actually assisted in solving many of
23 the problems in the case. And I want to
24 particularly give credit to the project manager
25 and to some select folks who were just spectacular

1 in their ability to actually assist in solving the
2 problems under this direction, particularly in the
3 water area.

4 Lorraine White and folks that work with
5 her turned what could have been a huge problem, in
6 terms of inland water, into an incredible
7 solution, where the plant actually works as a
8 barrier to a very large toxic plume created by an
9 aerospace company. So that in extracting the
10 cooling water basically we're relieving pressure
11 on the aquifer and we're relieving pressure on
12 basically potentially contaminating water
13 throughout the region.

14 And I think that the company and the
15 work by the staff, in a collegiate sense, without
16 compromising any integrity, is a real example of
17 what the Energy Commission is all about. I think
18 it was just a spectacular exercise in
19 coordination, cooperation and very profound
20 technical innovation.

21 So I just couldn't feel good about it
22 without making that point.

23 ACTING CHAIRMAN MOORE: Thank you, Gene,
24 I appreciate that.

25 Let me just say, and I'm going to make

1 the motion on this item as the Presiding Member,
2 but let me just say from my standpoint, part of
3 what happens is we come together on a meeting like
4 this and you see the end product of a process that
5 lasts as little as ten months. We, I believe,
6 hold the record for something like this now in
7 terms of time elapsed, up to however many months
8 before the Presiding Member's Decision comes out.

9 So you come to a meeting like this and
10 what you hear are congratulations, mostly. We've
11 had a couple of dissents on cases in the past, but
12 it's pretty rare, because the members tend to work
13 this out before it comes into the public arena.

14 And I guess that's what I would like to
15 point out is that is the end of an arduous
16 process. So if it looks seamless at this point,
17 it's because of all the effort that went in.

18 And so to the Applicant, thank you. To
19 the Project Manager and to my Hearing Officer, I
20 say many thanks. The rock music in the background
21 on the CD was a nice touch.

22 (Laughter.)

23 ACTING CHAIRMAN MOORE: And to counsel
24 for the staff, I appreciate it. And to the other
25 staff who helped us out very much during the

1 process, it couldn't have worked without everyone
2 cooperating.

3 And to those, who, unnamed of us who
4 participate in the Governor's forum and deal with
5 some of the other agencies, a gentle word to bash
6 the other agencies with -- and they all know who
7 they are. When they drag their feet they slow
8 this process down in log scale.

9 So without that cooperation of some
10 districts, such as air districts or other
11 districts, then I would say this process could go
12 a lot more smoothly if they would not stay on
13 vacation all the time and would attend to getting
14 their reports out on time.

15 I'll move this item, approval for the
16 Presiding Member's Proposed Decision.

17 Is there a second?

18 COMMISSIONER PERNELL: Second.

19 ACTING CHAIRMAN MOORE: Second by
20 Commissioner Pernell.

21 Is there any public comment on the
22 Mountainview Project?

23 Hearing none, seeing none, all those in
24 favor say aye.

25 (Ayes.)

1 ACTING CHAIRMAN MOORE: Those opposed?
2 That motion carries four to zero.

3 Mr. Shean, if you wouldn't mind staying
4 at the dais for just a moment. With regard to the
5 Mountainview Power Project, we have the possible
6 adoption of a Mountainview General Order Number 1,
7 Compliance Monitoring and what I'd like you to do
8 is to just introduce the item on the dais and then
9 I'd like to refer this item to the Siting
10 Committee. But for the record, I'd like to have
11 you just introduce it, put it on the record and
12 then we'll dispose of it formally.

13 MR. SHEAN: That would be fine.

14 Commissioner and Members, the Committee
15 in the Mountainview case thought, for a number of
16 reasons, most of them based upon the fact that we
17 have a history here of adding general conditions
18 of compliance monitoring as boilerplate in the
19 staff's preliminary assessment, the staff's final
20 assessment, the Presiding Member's Proposed
21 Decision and ultimately the Commission's final
22 decision, and fundamentally we are replicating the
23 same over and over again, which takes not only the
24 paper to reproduce, the time to put in, that there
25 was clear efficiency which could result for our

1 process if we would state essentially once and for
2 all, subject to modification down the road, should
3 it need improvement, but for current purposes,
4 that we have settled on a compliance monitoring
5 plan which we could adopt through provisions of
6 the Administrative Procedure Act as a precedential
7 decision to act, to some degree, as the PUC does
8 as a general order on compliance, so that we could
9 refer to it by reference, not replicate it every
10 time.

11 And, in fact, there are provisions in
12 what we believe is the latest and greatest version
13 of this, which obviate the need in the staff's
14 assessment through topic-by-topic matter of
15 discussions about preliminary closures that are
16 either permanent or not permanent and facility
17 closures, and that the language that's in what
18 might become a general order on compliance
19 monitoring can incorporate 99 percent of all the
20 foreseeable circumstances so that they don't need
21 to be analyzed topic by topic.

22 Which isn't to say that if it is
23 necessary and, for example, in Huntington Beach we
24 think we have such an example, to say that
25 something ought to occur outside of a general

1 order that it cannot be included.

2 So the general idea here, and I
3 appreciate the offer by my Presiding Member and my
4 second member who is Commissioner Pernell, to
5 offer this up to the full Commission as a matter
6 of expediting our proceedings, providing some
7 continuity from language to language so it doesn't
8 need to change and that overall it will both save
9 us material resources as well as time resources.

10 ACTING CHAIRMAN MOORE: Thank you, Mr.
11 Shean.

12 With the consent of the members I'd like
13 to push this item to the Siting Committee and ask
14 them to discuss it and report back to us with a
15 recommendation on either how to implement or how
16 to use the best pieces of it in the future.

17 Commissioner Laurie, can I send that to
18 you and ask for your help on that?

19 COMMISSIONER LAURIE: I would request
20 that you do that, Mr. Chairman, thank you.

21 ACTING CHAIRMAN MOORE: Thank you.
22 Without dissent, I will so order.

23 Thank you.

24 All right, I understand that our
25 translator is here and so let's go back to the

1 Blythe Energy Project and invite our translator to
2 come up and think about how to easily mechanically
3 work this. Perhaps not simultaneous but, in other
4 words, sequential translation is in order and I'll
5 simply ask everyone to keep their comments brief,
6 pause after a sentence or paragraph, whatever is
7 most comfortable for the translator and let her
8 translate for our web cast listeners.

9 So we'll take this just a little more
10 slowly, a little more deliberately than we might
11 over items where we're just speaking to this
12 audience.

13 COMMISSIONER LAURIE: Mr. Chairman.

14 ACTING CHAIRMAN MOORE: Commissioner
15 Laurie.

16 COMMISSIONER LAURIE: Well, a couple of
17 things. If this is for web cast purposes, since
18 we are not getting questions over the web, since
19 the communication is one way, one, I would wonder
20 if the purpose may not be equally served by simply
21 subsequent translation.

22 ACTING CHAIRMAN MOORE: And posting on
23 the web?

24 COMMISSIONER LAURIE: Yes. If we don't
25 want to do that, if we find that, in fact, some

1 public service would be provided by immediate
2 translation, then I would ask that the translator
3 be directed to paraphrase rather than do a
4 verbatim instantaneous translation.

5 ACTING CHAIRMAN MOORE: All right. I
6 think that's a reasonable request. Let me find
7 out before we even initiate this who in the public
8 is here to speak on this item?

9 Is there anyone here to address us?

10 So we'll end up -- there is none that I
11 see, so we'll end up confining our comments to the
12 Committee and staff presentation and Application.
13 It seems to me, Commissioner Laurie, that we can
14 probably get most of the way there by concurring
15 with your paraphrasing comment. We'll ask the
16 translator to paraphrase what she hears and so
17 we'll have a pause after that and the time factor
18 is probably not going to be significant at the end
19 of this.

20 Mr. Bouillon, would you like to
21 introduce the item and then we'll pause -- by the
22 way, let me have our translator introduce herself.

23 MS. LOOFBOUROW: My name is Liliana
24 Loofbourow.

25 ACTING CHAIRMAN MOORE: Okay, Liliana,

1 you're going to have to pull the microphone very
2 close to you. The design on this system, which
3 we've complained mightily about to the
4 Administrator -- he's not listening, okay, go
5 ahead and introduce yourself.

6 MR. BOUILLON: Agenda Item 17 is for
7 consideration and possible adoption of the
8 Presiding Member's Proposed Decision recommending
9 certification of the Blythe Energy Project, a 520-
10 megawatt power plant proposed by Blythe Energy LLC
11 for construction in Riverside County.

12 I might add that Blythe Energy, LLC is a
13 subsidiary now of Caithness Energy.

14 ACTING CHAIRMAN MOORE: Okay. Perhaps
15 we can have the translator just read the item into
16 the record then.

17 (Thereupon the item was read
18 into the record by the
19 translator.)

20 MR. BOUILLON: The Presiding Member's
21 Proposed Decision was issued on February the 17th.
22 On March the 16th we held a conference here in
23 Sacramento, both live and by teleconference to
24 receive public and agency comments on the proposed
25 decision.

1 We have received several comments, both
2 written and oral, both before and after that
3 Committee Conference. While the comments were
4 extensive in nature they did not result in any
5 substantive changes to the proposed decision.

6 The technical changes and typographical
7 errors were corrected in an errata which has been
8 prepared and put on the table in the front this
9 morning.

10 (Thereupon the translator
11 translated the statements.)

12 MR. BOUILLON: With the Commission's
13 approval that errata will be incorporated into the
14 Commission decision.

15 Before I go any further I would, on
16 behalf of Chairman Keese, who could not be here
17 today, I'd like to express both his and my
18 appreciation and gratitude to the intervenor in
19 this case, Carmela Garnica. She, while not
20 trained in either the law or the energy business,
21 ably and thoroughly represented the interests of
22 the local agricultural workers and the residents
23 of the community of Mesa Verde, which is the
24 closest community to the proposed power project.

25 (Thereupon the translator

1 translated the statements.)

2 MR. BOUILLON: This decision, partially
3 as a result of her efforts with assistance from
4 both the staff and the cooperation of the
5 Applicant does promote the -- excuse me, does
6 promote and protect the health, safety and welfare
7 of the entire community in eastern Riverside
8 County, including Mesa Verde.

9 (Thereupon the translator
10 translated the statements.)

11 MR. BOUILLON: I also want to
12 acknowledge and thank the Western Area Power
13 Administration for their cooperation that, as you
14 know, this was a joint project with them, because
15 of the interconnection to their system. And in
16 particular I'd like to thank Mr. Nick Chevance,
17 for the assistance he rendered this Committee in
18 this proceeding.

19 (Thereupon the translator
20 translated the statements.)

21 MR. BOUILLON: And with that I believe I
22 can turn it back to the Commission.

23 ACTING CHAIRMAN MOORE: Thank you, Mr.
24 Bouillon. Let me turn to the Applicants and ask
25 for their comments.

1 MR. GALATI: Mr. Chairman and Members of
2 the Commission, my name is Scott Galati, project
3 counsel for the Blythe Energy Project, and on my
4 left is Dr. Jeff Harvey, who is the lead
5 environmental consultant, and in the audience is
6 Rob Melloncamp on behalf of the project.

7 We would like to express our thanks for
8 the Committee's work, especially since there was
9 some intervention in the project and the
10 intervention was late towards the end of the
11 project. Where many issues had been flushed out
12 earlier they were reflushed out in a way we think
13 was very beneficial and we have both discussed the
14 substantive issues and hopefully have addressed
15 and put some of the issues in the residents of
16 Mesa Verde's minds at ease.

17 Their fear and apprehension of the
18 project was really -- there was no question that
19 they were very much concerned. We think, however,
20 that the substantive issues have and should
21 resolve those concerns. The project will be a
22 good neighbor, is supported by the City of Blythe
23 and we would specifically like to thank
24 Commissioner Keese and Hearing Officer Ed Bouillon
25 and Commissioner Laurie in taking some direction

1 and providing direction to the process here that
2 we believe came with a good resolution in a good
3 project.

4 I'd also like to express our thanks to
5 Western. This was a joint process and unlike
6 other joint processes where that may be slowed
7 down, this was not slowed down on behalf of
8 Western and we appreciated it.

9 ACTING CHAIRMAN MOORE: Thank you.

10 (Thereupon the translator
11 translated the statements.)

12 MR. GALATI: We've reviewed the
13 Presiding Member's Proposed Decision and errata
14 and we agree.

15 (Thereupon the translator
16 translated the statements.)

17 ACTING CHAIRMAN MOORE: Are there staff
18 comments that we need to have on the record?

19 (Thereupon the translator
20 translated the statements.)

21 STAFF SITING PROJECT MANAGER SHAW:

22 Thank you. Good morning, Commissioners and
23 audience, my name is Lance Shaw Staff Siting
24 Project Manager.

25 This was a 12-month process and it was

1 approved, data adequate. It was rendered data
2 adequate on the 22nd of March, which made it to
3 the day a 12-month process. And I want to thank
4 our supporting staff, again, Western and we had a
5 number of contractors.

6 ACTING CHAIRMAN MOORE: Thank you.

7 (Thereupon the translator
8 translated the statements.)

9 ACTING CHAIRMAN MOORE: Commissioner
10 Laurie.

11 COMMISSIONER LAURIE: Thank you, Mr.
12 Chairman.

13 When the Applicant indicates that they
14 agree, I want to make sure on the record what they
15 mean is that they accept the conditions imposed on
16 the certification?

17 ACTING CHAIRMAN MOORE: Mr. Galati, you
18 heard the question, do you accept the conditions?

19 MR. GALATI: Yes, we do.

20 ACTING CHAIRMAN MOORE: The answer is
21 yes.

22 (Thereupon the translator
23 translated the statements.)

24 COMMISSIONER LAURIE: Mr. Chairman, I
25 move adoption of the Presiding Member's Proposed

1 Decision with the errata.

2 ACTING CHAIRMAN MOORE: We have a motion
3 by Commissioner Laurie to accept the Presiding
4 Member's Proposed Decision.

5 Is there a second?

6 COMMISSIONER PERNELL: Second.

7 ACTING CHAIRMAN MOORE: That motion is
8 seconded by Commissioner Pernell and I'm going to
9 ask formally if there is any public comment?

10 There is none. We have a motion on the
11 floor.

12 (Thereupon the translator
13 translated the statements.)

14 COMMISSIONER LAURIE: Before the vote on
15 the motion, Mr. Chairman, Mr. Bouillon, I
16 understand that an appeal has already been filed
17 with the EPA claiming an environmental justice
18 violation, is that your understanding?

19 MR. BOUILLON: I'm not aware of that,
20 no.

21 COMMISSIONER LAURIE: Okay, thank you.

22 ACTING CHAIRMAN MOORE: Commissioner
23 Laurie has asked a question as to whether the
24 public has filed something with the Environmental
25 Protection Agency of the United States and we do

1 not have an answer.

2 MR. GALATI: Actually, Commissioner
3 Laurie, I might be able to provide some
4 enlightenment there. There was a complaint filed
5 with the Department of Energy against the Energy
6 Commission on environmental justice grounds based
7 on the Presiding Member's Proposed Decision.

8 ACTING CHAIRMAN MOORE: Thank you. So
9 there is such a filing. We don't know the outcome
10 of it.

11 MR. GALATI: I've seen a copy of it, but
12 I don't have proof that it was actually filed.

13 ACTING CHAIRMAN MOORE: All right. Let
14 me let the translator put that to the public.

15 (Thereupon the translator
16 translated the statements
17 made.)

18 ACTING CHAIRMAN MOORE: All those in
19 favor of the motion on the floor say aye.

20 (Ayes.)

21 ACTING CHAIRMAN MOORE: Those opposed?
22 The motion carries four to zero.

23 (Thereupon the translator
24 translated the statements
25 made.)

1 ACTING CHAIRMAN MOORE: Thank you very
2 much.

3 We're going to go back to Item 4, the
4 Administrative Subpoena. Consideration and
5 possible approval of an Order Issuing an
6 Administrative Subpoena to San Diego Gas and
7 Electric, Southern California Edison and Pacific
8 Gas and electric. The subpoena would direct the
9 utilities to provide hourly qualifying facility
10 (QF) production data for certain months in 1998
11 1999, 2000 and 2001 that we need for our analysis
12 of the electricity availability during periods of
13 peak demand.

14 And let me -- counselor, let me turn to
15 you for introductory comments. This comes out of
16 the Electricity Committee and is really the
17 outgrowth of a long series of public hearings and
18 recommendations that we've made over the last
19 three years -- four years concerning how to get
20 better and more accurate data over the long term.

21 Ms. Holmes.

22 STAFF COUNSEL HOLMES: Thank you. As
23 you're probably all aware the Energy Commission
24 has been working diligently to evaluate the amount
25 of capacity that's going to be available in

1 California this summer and throughout the next
2 year and to assess the timing and magnitude of any
3 supply, demand imbalances.

4 The Legislative Analyst's Office in
5 response to a request from the Assembly Joint
6 Oversight Committee evaluated both the Energy
7 Commission's and ISO's estimates of these
8 imbalances and they identified a couple of
9 uncertainties.

10 The Energy Commission and the ISO have
11 agreed that these uncertainties can and should be
12 resolved, but in order to do that we need some
13 data that we don't currently have.

14 Specifically we need hourly QF
15 production data. This data lets us know about
16 hourly and daily patterns of generation use and
17 therefore the scope of any new generation that
18 might be required or any demand reduction programs
19 that might be needed.

20 This information is held individually by
21 the QFs and it's also held collectively by the
22 utilities because they use it for settlement
23 purposes. The CEC doesn't know the identity of
24 all of the QFs in the state and so we're seeking
25 to obtain this information directly from the

1 utilities.

2 We've contacted them over the past
3 couple of weeks. All three of the investor-owned
4 electric utilities, as well as IEP, which is an
5 organization to which many of the QFs belong and I
6 believe I'm fair in saying they have tentatively
7 indicated that they don't oppose the release of
8 the data to the Energy Commission for the purposes
9 that I've stated, once a subpoena is issued and
10 once the confidential issues are addressed.

11 Although issuing the subpoena may seem
12 to be a rather adversarial statement, it's a fact
13 that it actually provides protection to the
14 utilities that they believe is necessary in order
15 to release the data. Specifically the Public
16 Utilities Code allows the PUC to impose liability
17 on utilities for release of this data in the
18 absence -- in the type of a legal process that
19 would be provided by the subpoena.

20 Therefore, the subpoena actually
21 increases the likelihood that we'll be able to
22 work cooperatively with the utilities to obtain
23 this data.

24 With respect to the confidentiality
25 issue I've already begun working with PG&E and IEP

1 to assure that the necessary confidentiality
2 productions will be in place. And I'm not
3 anticipating any problems with that.

4 What I'd like to do now is read the
5 express terms of what we'd like the subpoena to
6 state. It says,

7 "Please identify all purchases from
8 qualifying facilities in kilowatt hours
9 by hour, by facility, from January 1st,
10 2000 to February 28th 2001. Generation
11 data from some of the smaller QFs is
12 aggregated since the ISO has opted to
13 combine their output.

14 "This data should be provided in
15 Excel Spreadsheet or delimited text file
16 and the data field should include an
17 identifiable resource ID, name, date,
18 hour and kilowatt hours."

19 And with that, staff would like to
20 recommend that the Commission adopt the order
21 issuing a subpoena.

22 ACTING CHAIRMAN MOORE: Thank you, Ms.
23 Holmes.

24 I would point out that this is again
25 part of our ongoing efforts to streamline and make

1 more efficient the data collection techniques and
2 tools that we have at our disposal and to
3 reiterate the fact that these are, if there can be
4 such an oxymoron, friendly subpoenas that I
5 believe will provide the protection that Ms.
6 Holmes spoke of.

7 With that, I'll tell you that the
8 Electricity Committee will be recommending
9 approval and I will move this item to get it in
10 front of us and if there is a second to the
11 motion, we'll take comment.

12 COMMISSIONER PERNELL: Second.

13 ACTING CHAIRMAN MOORE: Second by
14 Commissioner Pernell.

15 The motion and the item are before us.
16 Is there anyone here who'd like to comment on
17 these items. I know that each of the major
18 utilities in the state are here. Mr. Moss is
19 rising to his feet. Good morning, it is still
20 morning.

21 MR. MOSS: Good morning. Commissioner
22 Moore, only to say that we concur in the --

23 ACTING CHAIRMAN MOORE: Mr. Moss,
24 perhaps you could identify yourself.

25 MR. MOSS: Yes, Richard Moss, attorney

1 for Pacific Gas and Electric. To say that we
2 concur in the comments of counsel and we express
3 our thanks to the Commission for agreeing to a
4 process which will be mutually beneficial, we
5 hope. Thank you.

6 ACTING CHAIRMAN MOORE: Thank you.

7 Mr. Alvarez.

8 MR. ALVAREZ: Thank you, Commissioners.
9 Manuel Alvarez from California Edison.

10 I guess you're oxymoron of a friendly
11 subpoena is appropriate. We've been working with
12 staff to provide this data and look forward to
13 filling the request. Thank you.

14 ACTING CHAIRMAN MOORE: Thank you and
15 you are the winner for the longest distance
16 traveled to the meeting award, Ms. Fleming.

17 MS. FLEMING: And I just walked in.

18 ACTING CHAIRMAN MOORE: Welcome,
19 amazing, a tour de force.

20 MS. FLEMING: I just walked in. There
21 is fog in San Diego and it's a beautiful day here,
22 so my plane was two hours late, but I'm here.

23 And I'm going to sound repetitious. I
24 want to concur or echo what the representatives
25 from PG&E and Edison said, we have been working

1 with the staff. We find this friendly subpoena a
2 way to protect us from releasing data that we have
3 always felt that was privileged. Thank you.

4 ACTING CHAIRMAN MOORE: Thank you, Ms.
5 Fleming. And I'll simply say, is there anyone
6 else who is here to testify from the public or
7 staff who'd like to offer comments.

8 I'll simply say that as the member who
9 has been looking at this item for almost all of my
10 term on this Commission, it's gratifying to see
11 that we're making some movement and gratifying to
12 see that after all this we really do have some
13 concurrence of opinion on both sides of the aisle
14 about how to get this data and the fact that it is
15 relevant.

16 Certainly the qualifying facilities are
17 playing a more and more important role in the
18 entire management of the grid and so anything we
19 can do to understand their performance or needs is
20 certainly to the benefit of all the public.

21 Commissioners, do you have comments on
22 the item?

23 COMMISSIONER LAURIE: Mr. Chairman.

24 ACTING CHAIRMAN MOORE: Commissioner
25 Laurie.

1 COMMISSIONER LAURIE: With the
2 assumption that the data collected is going to be
3 used for appropriate analysis, according to policy
4 decisions of this Commission, and assuming that
5 analysis is correct, I think the importance of
6 such must not be underestimated.

7 If the Energy Commission is to be
8 faulted at all for its analysis conducted or not
9 conducted over the last couple of years, I think
10 the fault, perhaps, lay in our timidity.

11 I have looked at reports issued by this
12 Commission over the last four or five years or so.
13 And if you look really closely you will find
14 elements of reports, conclusions, that are pretty
15 darn accurate and provide a proper basis for
16 policy decision making. But because of a variety
17 of circumstances we have been psychologically
18 unprepared to speak with a loud and clear voice
19 regarding our conclusions.

20 I would simply hope in the future that
21 when we determine that issuing a statement is a
22 proper thing to do, and it may not be proper in
23 all circumstances, that we have the confidence to
24 do that, even if it may not be popular in some
25 circles, and that we then support those

1 conclusions.

2 As we are all out on the road today, we
3 hear constant reminders about failing to plant,
4 failing to consider, failing to act. Well, we
5 have had those opportunities and to a large
6 extent, again, I think external circumstances
7 caused us to some extent to not live up to those
8 responsibilities or at least not communicate those
9 with the confidence that we should have.

10 So I first, I may rue the day when this
11 tape is played back to me sometime in the future,
12 but for the time being I applaud these efforts and
13 I applaud the work of the Committee being able to
14 work out the current proposal, and I'm prepared to
15 support the motion.

16 ACTING CHAIRMAN MOORE: Thank you, I
17 appreciate that.

18 Other Commissioner comments?

19 All those in favor signify by saying
20 aye.

21 (Ayes.)

22 ACTING CHAIRMAN MOORE: Those opposed?
23 That motion carries four to zero.

24 Thank you very much, Ms. Holmes, and
25 very much from the Committee, thanks.

1 All right, we're going to go on to Item
2 21, which is the long awaited biomass to ethanol
3 report and I'm going to ask Mr. Perez to come up
4 and be part of this discussion. I have some
5 introductory remarks to make on the part of the
6 Fuels and Transportation Committee.

7 But before I begin, I'll just tell you
8 that the staff has almost literally been working
9 day and night to make this come out. It won't
10 make them any happier to know that we have a new
11 assignment that they'll have to start on this
12 afternoon late. It will just take a few days.

13 But, first of all, I want to say that
14 this is a team effort that was led by Pat Perez
15 and to say that the work has been stellar is an
16 understatement, but Pat is supported by a very
17 very able team.

18 And let me just take a second to
19 acknowledge them, because I know that some of them
20 are listening on the web or through the speaker
21 phones in the building, and let me just say what a
22 fine effort this was. And that's Tom MacDonald,
23 Mike McCormick, Todd Peterson, Valentino Tiangco,
24 if Val is here, Gigi Tien in the office support
25 and last, but not least, our web master, Bob

1 Aldrich and Tracy Fong, who participated in making
2 sure that we get our message out into the public
3 arena. Without that stellar team we would not
4 have been able to make the progress that we have
5 or do it as fast.

6 Let me introduce the item by saying that
7 the Budget Act of 2000 directs the Energy
8 Commission to conduct a study of the economic
9 costs and benefits of a biomass to ethanol
10 production industry in California and it requires
11 us to deliver or report to the Legislature by
12 March 30, interesting day, 2001.

13 We are charged with, as the Fuels and
14 Transportation Committee, of which I am a member,
15 of approving the staff outline, the schedule and
16 the level of public participation, which we did,
17 even though we had to very clearly compress the
18 timeline that we worked under.

19 We directed the staff to develop a study
20 based on facts, as opposed to Ouija board
21 judgments or something else that the public might
22 have suspected we were doing, while employing the
23 available analytical methodologies that we had to
24 perform economic costs and benefit analyses.

25 We directed the staff to seek out the

1 best qualified contractors and subcontractors
2 through the technical support contract that's
3 administered by the Transportation Technology and
4 Fuels action. And let me just say that today's
5 action, what we're here to do, is to obtain the
6 conditional approval for the report that's due for
7 the Governor and the Legislature next week, even
8 though a couple of the comments that would have
9 come in are simply not going to be available
10 today. Staff expects to be able to try and
11 process them before actual printing.

12 We'd like you to delegate to us, the
13 Fuels and Transportation Committee, to provide
14 direction to the staff on how best to respond to
15 last minute comments that we might receive as late
16 as the end of today.

17 We promise to listen to additional
18 stakeholders that might want to make their voice
19 known and we promise to respond to any questions
20 that you have at the end of this. And with that,
21 I'm going to turn to Pat, who has a couple of
22 comments and will introduce one of the
23 consultants, Stefan, who is here and has a slide
24 show presentation for us to observe, which I'll
25 ask him to describe for the web cast in bullet

1 form as he goes through it.

2 Mr. Perez.

3 MR. PEREZ: Thank you very much,
4 Commissioner Moore, for those kind introductions
5 and certainly for the acknowledgment and
6 recognition of our biomass ethanol team here at
7 the Energy Commission. I'd also like to introduce
8 Stefan Unnasch who has provided the assistance
9 from Arthur D. Little, to my right, that is here,
10 because it has definitely been a team effort in
11 putting together this project.

12 What I would like to do now is simply
13 walk over there and quickly run through our
14 PowerPoint presentation, if I may.

15 Okay, again, for the record, my name is
16 Pat Perez. I'm the Project Manager for the
17 Commission's biomass ethanol project and what I'm
18 going to do is share this presentation by going
19 over a few things today.

20 First, our purpose is to share with you
21 the directive that we had for putting together
22 this study. Again, this is a follow-up study that
23 resulted from the 1999 report that we submitted to
24 the Governor and Legislature regarding the
25 evaluation of biomass to ethanol fuel potential

1 for the State of California as a substitute to
2 MTBE in gasoline.

3 Also I'll talk to you a little bit about
4 the public process that we use to get comments and
5 input as we develop this study. Also, discuss
6 very very briefly some of the changes to the
7 report and then close by presenting the key
8 findings as well as the recommendations that we're
9 presenting to the Commission today.

10 I'd also like to point out that this
11 PowerPoint presentation will be made available
12 following the Business Meeting and also out on the
13 table as you enter this room we also have copies
14 of all the recommended changes to our previous
15 draft report.

16 Again, getting back to the original
17 directive that was contained in the Governor's
18 budget for fiscal year 2000-2001, he asked us to
19 do several things. And first and foremost is to
20 look at the economic costs and the benefits of a
21 biomass based ethanol production industry here in
22 California. Also to assess the impact on consumer
23 fuel costs from an in-state ethanol production
24 industry and also from imports from such places as
25 the mid-west, and also to evaluate the impact on

1 rice straw burning. And then finally provide a
2 set of recommendations or next steps that we may
3 consider to assist and stimulate the growth of a
4 new industry for our state.

5 Why is California interested in
6 developing an in-state ethanol industry? Several
7 reasons, one of which is the Governor has declared
8 that we will be phasing out the use of MTBE in
9 motor gasoline by the end of 2002, and right now
10 the only viable substitute is ethanol to replace
11 MTBE in gasoline.

12 Also with the growth of such a new
13 industry we also have the ability to perhaps
14 capture some economic as well as some
15 environmental benefits for California citizens in
16 developing this industry. And by those benefits
17 what I'm referring to is taking some of the waste
18 materials that are in the forest, as well as in
19 the cities and in the central valley on our farms
20 and converting that to ethanol as opposed to
21 burning it or perhaps moving it to landfill sites
22 throughout the state.

23 Also we have the opportunity to also
24 remove some of the thinnings and undergrowth in
25 the forest out there which removes fuel load for

1 catastrophic fires, so those are just some of the
2 benefits.

3 Also we're looking at the ability of
4 reducing dependence on importing ethanol from the
5 mid-west as another benefit.

6 The process that we use to get common
7 input on the development of this report included
8 creating a team of other state agencies to help
9 us. We were directed to bring in the input and
10 technical expertise of a variety of agencies
11 because many of the items that we're addressing in
12 this report are non-energy related, so as a result
13 we had the Resources Agency, Trade and Commerce,
14 Department of Forestry and Fire Protection, as
15 well as the Air Resources Board and Integrated
16 Waste Management Board was part of the effort
17 here.

18 We also released a draft report on the
19 web site back on February 2nd and received both
20 written and oral comments at a public hearing that
21 was held under the leadership of the Fuels and
22 Transportation Committee on February 16th. And as
23 a result of that input that was received, we
24 released a draft final report on March 7th of this
25 year. And, again, that report was also placed on

1 the web site since many of the stakeholders are
2 certainly from the mid-west where ethanol is a
3 major fuel.

4 I also might say that at the February
5 16th hearing we also received public comment from
6 six major stakeholders. I see a couple of them in
7 the audience today and I'm sure they'll be
8 speaking up later on.

9 Some of the major changes to that
10 February report include an expanded section on key
11 findings which again is included on the back
12 table. We also developed a new section on the
13 recommendations because, as you may recall, in the
14 previous report we did not have an exhaustive list
15 of findings nor recommendations because we wanted
16 to get the full benefit of public input at the
17 February 16th hearing.

18 Also, as I mentioned, we did produce a
19 summary of the recommended changes and they are
20 available and we're also proposing that we place
21 those on the web site this afternoon, too.

22 What I'm going to do now is turn it over
23 to Stefan Unnasch to go over a couple of the major
24 findings from the study before I move into the
25 final recommendations.

1 MR. UNNASCH: Thank you, Pat.

2 I'm Stefan Unnasch with Arthur D. Little
3 and I participated with the ethanol team on the
4 evaluation of the economic impacts, along with
5 Jack Faucett Associates of Maryland. So I'm going
6 to present some of the key findings that parallel
7 the questions posed by the legislation, what are
8 the economic costs and benefits or impacts of a
9 California ethanol industry.

10 We looked at a potential 200 million
11 gallon per year ethanol industry based on biomass,
12 woody material, type of ethanol production and
13 found that that would produce about a billion
14 dollars of personal income over the 20-year period
15 of the nine ethanol plants that would correspond
16 to this industry which would be using feed stock,
17 such as forest material, agricultural residue and
18 waste paper.

19 This would create \$75 million of
20 personal income per year, primarily in rural
21 areas, and lead to the creation of 2000 new jobs.
22 We also estimated -- we also found such an
23 industry may not appear without some state support
24 and we used some benchmark estimates of potential
25 costs to the state, which we calculated to be

1 about \$500 million and I'll show you some of those
2 momentarily.

3 Another question, what's the impact on
4 rice --

5 COMMISSIONER LAURIE: Let me ask a
6 question. Is that 500 million included in the
7 billion dollar revenue or is that independent?

8 MR. UNNASCH: No, it's not, it's
9 independent.

10 COMMISSIONER LAURIE: Thank you.

11 MR. UNNASCH: So another question posed
12 by the Legislature, what is the impact on rice
13 straw burning? Rice straw burning is
14 substantially curtailed by existing air quality
15 regulations to a fairly small amount of acreage
16 which has the further constraint of no burn days.

17 The alternatives to burning would be to
18 plow the material, the rice straw into the soil,
19 which poses problems to the farmers in that there
20 could be potential disease infestation to the rice
21 straw, so ethanol provides a very attractive
22 option. There's more cost, but the ethanol
23 producers could pay the farmers enough money to
24 make them economically better off if they were to
25 provide the material for ethanol production.

1 So one could say that ethanol production
2 enables a reduction in the burning of rice straw.

3 What are the potential impacts on
4 consumer fuel prices? With the phase-out of MTBE
5 ethanol would be required as an oxygenate and in
6 the near term there is uncertainty in securing the
7 available supplies of ethanol. So the shortage in
8 supply could lead to as escalation of ethanol
9 prices which could affect gasoline prices.
10 Additional ethanol production capacity in
11 California would provide competition to ethanol
12 from other sources.

13 However it's also clear that the
14 targeted phase-out of MTBE starting 2003 would
15 come much sooner than available California ethanol
16 capacity certainly to the extent of the 200
17 million gallons per year that we analyzed in the
18 study.

19 And what are the other environmental
20 impacts on the forest and air emissions?
21 Producing ethanol from materials like forest
22 residue or forest thinnings could reduce the risk
23 of wild fires and it could also lead to an
24 improvement in forest health by reducing the
25 amount of trees that are available and improving

1 forest yields.

2 Also when using agricultural materials
3 there's a reduction in emissions compared to
4 burning agricultural residue as opposed to using
5 the material as a ethanol feedstock.

6 The following two slides illustrate some
7 of these findings in a graphical form. In terms
8 of the economic benefits, the blue line there
9 shows the effects on the state economy expressed
10 in personal income over the 20-year period of a
11 200 million gallon per year ethanol scenario.

12 In addition to those personal income
13 benefits, we're also showing estimates of
14 reductions in expenditures due to fighting wild
15 fires and we've also valued reductions in NOx and
16 particulate emissions which are currently being
17 paid for by state agencies. There would also be
18 additional reductions in CO2 and CO emissions,
19 which we haven't shown since these aren't valued
20 as clearly.

21 Also shown on this chart is our
22 benchmark of potential cost to the state. So in
23 the base case we're showing 500 million gallons
24 per year as a cost to the state that corresponds
25 to the state contributing 20 cents per gallon as a

1 producer payment and ten percent of the cost of
2 capital. This is just an estimate of a potential
3 cost to the state. We don't know exactly the
4 extent and the structure of state support that
5 would be required. So if double that state
6 support were required that's shown in the upper
7 set of bars.

8 COMMISSIONER LAURIE: Question, Stefan.
9 What is the relevancy of knowing the extent to
10 which personal income will be enhanced? That is
11 one does not normally adopt a state policy and
12 expend state money to increase individual's
13 personal income. So what's the rationale for
14 using that as any kind of criteria?

15 MR. UNNASCH: Right, we're not looking
16 at this as should the state be doing this as a
17 business.

18 The personal income is used as a general
19 meter of how to evaluate the use of state funds.
20 So we're assuming that state funds are required to
21 foster an ethanol industry and the form of those
22 state funds could be from the general fund, which
23 an alternative to using those state funds would be
24 to give the money back to the taxpayer which is
25 fashionable at this point in time.

1 So really what we're doing is we're
2 evaluating an alternative use of the state funds.
3 One use of the state funds would be to produce the
4 economic benefits associated with the ethanol
5 industry and the alternative is to give the money
6 back to the taxpayer. So that's sort of providing
7 an equation to the use of the state's money if it
8 were required to foster an ethanol industry.

9 Is that helpful?

10 COMMISSIONER LAURIE: Okay.
11 Commissioner Moore, when we close I'd be
12 interested in your own personal thoughts on that
13 question.

14 ACTING CHAIRMAN MOORE: Good, I'll have
15 a wrap-up at the end.

16 Stefan -- I'm sorry, Commissioner
17 Pernell has a question.

18 COMMISSIONER PERNELL: Have a question
19 on that. You've done some analysis on the
20 economic impact in terms of forest fires and
21 burning of rice straw. In that analysis have you
22 done any calculations on the cost of collecting
23 forest wastes and getting that to the plant? Is
24 that included in those --

25 MR. UNNASCH: Yes, the cost of

1 collecting forest waste is a significant cost of
2 the ethanol production and the way it shows up in
3 this analysis is if you use forest thinnings as a
4 feed stock they would cost around \$35 per ton,
5 which is fairly pricey as far as the feed stocks
6 go. And that contributes to additional economic
7 activity, so that contributes to a significant
8 part of that blue bar as an economic benefit,
9 because these expenditures have to be spent on the
10 economy.

11 Balancing that is that the operating
12 costs to produce the ethanol might be too high to
13 make it economically viable so there might also
14 need to be a cost to the state to make the ethanol
15 production attractive enough to make it a viable
16 business.

17 COMMISSIONER PERNELL: Okay. So the
18 state would have to, at least in that scenario,
19 subsidize the industry up front?

20 MR. UNNASCH: That's right and the issue
21 of how much subsidy is required is really an open
22 one. We heard testimony at the last hearing from
23 ethanol producers that some level of subsidization
24 was required, that they weren't competitive in the
25 near term. And the analysis that was completed in

1 the 1999 study showed that maybe ten years from
2 now as production yields improved, ethanol
3 production could be economic without a subsidy,
4 but in the near term a subsidy would likely be
5 important.

6 COMMISSIONER PERNELL: Thank you.

7 MR. UNNASCH: Then the final bar on this
8 chart shows what happens if nothing happens. So
9 if there's no ethanol industry in California there
10 would be no taxpayer contribution to it nor would
11 the related economic benefits occur and the polka-
12 dotted red bars show the potential cost to the
13 state from not having a California ethanol
14 industry compete with imported mid-western
15 supplies, assuming that ethanol is required as a
16 oxygenate for 20 years and that the competition
17 from California ethanol reduces the price of
18 ethanol by ten cents a gallon.

19 Which brings up the final chart here
20 which illustrates the potential impact on consumer
21 fuel prices. In the near term we could have
22 significant shortages of ethanol as there are only
23 45 production facilities in the US and ethanol
24 would be the leading oxygenate. The top bar was
25 an estimate done by ESAI for the Energy

1 Commission, which is basically, you're providing a
2 ceiling on the price of ethanol from imports from
3 places like the Caribbean and Brazil.

4 However in the event of unforeseen
5 shortages or supply disruptions the price of
6 ethanol could be higher. In the long term as
7 additional production facilities are built, the
8 yellow curve illustrates what the price of ethanol
9 would be to import it to California by taking it
10 away from other uses such as gasohol in the mid-
11 west.

12 ACTING CHAIRMAN MOORE: It continues to
13 go up?

14 MR. UNNASCH: It goes up as you need, as
15 you require more supply because you're bringing --
16 you're taking it away from other states. You
17 would even have to take it away from states that
18 have subsidies so you'd have to outbid the
19 subsidy.

20 ACTING CHAIRMAN MOORE: And if we could
21 just recap that point. The point you're trying to
22 make is in terms of all the competing needs, there
23 is not enough supply or we wouldn't be having that
24 kind of price curve.

25 MR. UNNASCH: In the near term with

1 MTBE, with all the competing needs, there's not
2 enough supply. In the long term you could build
3 more capacity and as that capacity was built
4 there's still, the price still goes up as you --
5 because no one is going to build brand new
6 facilities, you know, to provide a glut of
7 capacity.

8 So with that I turn it over. Thank you.

9 ACTING CHAIRMAN MOORE: Okay. Let's go
10 to the recommendations.

11 Mr. Perez.

12 MR. PEREZ: Okay, thank you once again,
13 Stefan.

14 What I'd like to do is just wrap the
15 presentation on the basis of these findings and
16 the analysis that we've conducted, lay out for you
17 a series of recommendations.

18 Some of the state investment options
19 that we would offer, and again I'm not going to
20 read the entire text here, but focus really on the
21 bullets, is that we're recommending that the state
22 should fund activities to enhance the availability
23 and quality of cellulose resources for ethanol
24 production as a way to stimulate and bring down
25 the initial cost of these resources.

1 We're also recommending to the
2 Legislature that they direct an appropriate state
3 agency to develop and implement a market
4 incentives program to increase the certainty of
5 the type of market as well as the size of market
6 for California produced ethanol.

7 Some other steps here include
8 facilitating the communication among stakeholders
9 for harvesting of forest materials for ethanol
10 feed stock. This has been a very controversial
11 item. It is one of the recommendations that we've
12 targeted for modification from the original draft
13 report because there are current stakeholder
14 groups that have been put together and I believe
15 are overseen by the California Department of
16 Forestry and Fire Protection. So this reflects
17 new language based on input that I received last
18 night.

19 Also to develop appropriate revisions to
20 state laws affecting the use of agricultural as
21 well as municipal waste and other residues for
22 ethanol feed stocks. And then also provide siting
23 permitting and environmental impact assessment
24 assistance to prospective biomass ethanol
25 projects.

1 Okay, in addition to the cellulose
2 technology, we're also recommending that the
3 Legislature should direct the California Energy
4 Commission, together with the California
5 Department of Food and Ag to study the cost and
6 benefits, really assess state resources, and
7 determine appropriate forms of state support for
8 what we would call energy crops or more
9 traditional ethanol production. Because in the
10 near term, as we noted earlier, we do not see the
11 cellulosic technologies coming on line until
12 probably 2004, 2005 at the earliest and this would
13 be another option whereby we might be able to
14 bring in traditional ethanol production in a more
15 timely manner to meet the needs that are going to
16 arise when we phase out MTBE at the end of 2002.

17 The last recommendation has to do with
18 examining other renewable fuel options. Here what
19 we're recommending is that the state should
20 continue to actively explore other technological
21 paths that offer attractive means of supplying
22 portions of the state's future energy needs from
23 renewable biomass resources.

24 And again what we're looking at is
25 expanding our scope beyond cellulosic to ethanol

1 options, as well as other conventional
2 technologies. And we're looking at other
3 processes that include fermentation to produce
4 ethanol, as well as gasification to ethanol, and
5 looking at other processes where we could produce
6 methanol, another renewable fuel. Anaerobic
7 digestion is another option for producing methane.
8 These are all fuels that we could use to
9 complement our current fuel supply system.

10 In terms of the next steps, again what
11 we would like to do is incorporate any public
12 comments as well as Commission comments today and
13 revise the report as necessary so that we can get
14 it to the Governor and Legislature next week. And
15 so we're looking again for conditional approval
16 and concurrence on all the recommended changes
17 that are in the report that we gave you today,
18 and, as I said, have this report delivered next
19 Friday to the Governor and Legislature.

20 So that concludes my formal
21 presentation. We'd be happy to entertain any
22 questions you may have.

23 ACTING CHAIRMAN MOORE: Thank you, Mr.
24 Perez.

25 Let me first turn and ask, I know there

1 are some stakeholders in the audience, members of
2 the public, who would like to address this. Let
3 me ask them to come forward and offer their
4 comments and then we'll bring this back to the
5 dais for questions and discussion.

6 I understand that I have one blue card
7 from Neil Koehler.

8 MR. KOEHLER: Thank you, Commissioner
9 Moore, other Commissioners. My name is Neil
10 Koehler. I've been involved in the production of
11 ethanol in California for almost 20 years. I'm
12 here today representing California's two existing
13 ethanol producers, Parallel Products and the
14 Golden California Cheese Company, both producers
15 of ethanol in Southern California from a variety
16 of waste products from the food and beverage
17 industry. And I'm also here on behalf of the
18 National Trade Association which represents
19 California's producers and other national ethanol
20 producers, the Renewable Fuels Association.

21 Excellent report, a lot of very hard
22 work has gone into this report and it provides a
23 lot of very valuable information. I presented
24 more extensive comments at the last hearing and
25 appreciate some of those comments and others that

1 stakeholders presented being incorporated in the
2 report before you.

3 Certainly I concur with the conclusion
4 that the state making a substantial investment in
5 the building -- ethanol production industry in
6 California is a worthwhile investment that would
7 result in a net benefit to the state and certainly
8 would help us provide a new source of clean
9 burning renewable fuels with attendant economic
10 development benefits to the state.

11 On behalf of the national industry we're
12 certainly prepared to assist in any way, both
13 technically and financially to get this industry
14 built here in California beyond the two plants
15 that we currently have so that we can make a very
16 significant contribution to the future ethanol
17 requirements anticipated with the phaseout of
18 MTBE.

19 The single most important thing that I
20 think that the state could do would be to fund
21 producer incentives, they're critical to building
22 this industry in California, and there is in the
23 California Code, there's an existing 40 cent per
24 gallon producer incentive for renewable fuels, and
25 the funding of that incentive program would be

1 very very helpful in getting this industry built.

2 One last comment would be in regards to
3 the near term. As we are building, ethanol
4 production in the state obviously is going to be
5 critical to draw upon ethanol production supplies
6 from other parts of the country. And the ethanol
7 industry is working hard to meet the near term
8 ethanol requirements as we transition to the
9 greater amounts of California produced ethanol.

10 Last year was a record production year
11 for the ethanol industry, 1.63 billion gallons,
12 226 million of annual capacity were added in 2000.
13 Three hundred and twenty million gallons of added
14 capacity are anticipated for the year 2000 and
15 additionally 527 million gallons of new production
16 will begin construction in this year.

17 So it is certainly the view of this
18 national perspective that the ethanol industry is
19 prepared to meet the requirements of the state of
20 California in a very effective and cost-efficient
21 manner in the near term as well as partnering with
22 the state to develop more production in the mid to
23 long term in California.

24 So we are confident that there will be
25 no ethanol shortages in California. In fact

1 ethanol can help contribute to the overall liquid
2 fuel needs as we struggle to meet our gasoline
3 production requirements under the new phase three
4 regulations of California.

5 So, thank you very much.

6 ACTING CHAIRMAN MOORE: Thank you, we
7 appreciate your optimistic outlook.

8 COMMISSIONER PERNELL: I have a
9 question.

10 ACTING CHAIRMAN MOORE: I'm sorry,
11 Commissioner Pernell has a question.

12 COMMISSIONER PERNELL: You mentioned the
13 beginning of construction for ethanol plants.
14 What area of the state is that in, north or south?

15 MR. KOEHLER: The production that I was
16 speaking of was ongoing production more in the
17 mid-west part of the United States.

18 COMMISSIONER PERNELL: But not in
19 California?

20 MR. KOEHLER: Right. There are a
21 number, and they're summarized, I think, in the
22 report too, there are a number of cellulose to
23 ethanol plants projects that are being developed
24 in California. I don't think that in terms of
25 actual starting of construction that there is any

1 specific timetable at this point in time. I think
2 a lot of the, you know, due to market
3 uncertainties in California, that need to be
4 resolved and hopefully will be resolved shortly,
5 and then the need for some incentive programs that
6 are part of this program here, I think, will help
7 make sure that we can get some hard dates in terms
8 of starting and completing those projects here in
9 the state.

10 COMMISSIONER PERNELL: Thank you.

11 ACTING CHAIRMAN MOORE: Thank you.
12 Anyone else who would like to address us on this
13 item?

14 Mr. Kelly, are you waiting to take the
15 microphone?

16 MR. KELLY: I have a comment, but it's
17 on another agenda item, I think, or are you taking
18 public comments on things you've talked about?

19 ACTING CHAIRMAN MOORE: We're at the
20 end.

21 MR. KELLY: I apologize for being late,
22 times are hectic.

23 There was an agenda item this morning
24 and I have had some discussions with your staff
25 about an opportunity to comment. It was the

1 subpoena on --

2 ACTING CHAIRMAN MOORE: Let me ask you
3 to come back in just a second.

4 All right, there is no public comment on
5 this item?

6 Are there questions from Mr. Perez or
7 Mr. Unnasch?

8 MR. PEREZ: No we simply would like to
9 thank the Committee for providing the guidance and
10 support in getting us through this project. It's
11 certainly a challenging study over a six-month
12 period. And I also particularly want to
13 acknowledge the efforts of your advisers Susan
14 Bakker and Mike Smith, for providing us the daily
15 assistance to get this project done.

16 And I'll certainly thank Neil Koehler
17 and the other ethanol stakeholders out there that
18 have provided a lot of sounding boards, I may say,
19 for helping us in the effort and the benefits and
20 the lessons learned from what is going on in the
21 mid-west. It's been helpful in this. But beyond
22 that, we're simply looking for your support to
23 conditionally approve this and get back to work,
24 because we've got a lot to do here in the next
25 week.

1 ACTING CHAIRMAN MOORE: Thank you.

2 I want to respond to Commissioner
3 Laurie's point before about the report itself and
4 I recommend it to you. It's a straight forward
5 report in the sense that it doesn't pull any
6 punches and frankly I think it paints a realistic
7 view of the industry and adds on to and
8 embellishes the work we did on the ethanol
9 industry before when we were looking at MTBE.

10 I think it underlines the need for
11 public policy makers to have as much information
12 as they can before they make public policy and to
13 think about some of the ramifications of what they
14 do prior to doing it. Certainly some of the costs
15 of the public programs that were embarked on are
16 likely to be a bit higher than what we expected
17 when we embarked on them.

18 The nature of the problem that led to
19 some of the MTBE decisions in terms of the valves
20 and the connections at the underground storage
21 tanks is still not solved. I hope that the public
22 policy makers who listen to and read this report
23 keep in mind the fact that you can't simply
24 substitute another commodity without solving some
25 of the underlying -- especially a commodity that's

1 equally toxic, you can't solve it by simply
2 switching commodities without fixing the problem,
3 which was extant in the first place, which was the
4 weak connections in the storage facilities.

5 Be that as it may, I think that the
6 point that Commissioner Laurie raised, which is to
7 ask me to comment on the veracity and the
8 implications of the reports, indicate, or
9 underline, our responsibility to look at this as a
10 future energy source and a future additive and the
11 fact is that we're going to be short. We're going
12 to be short of capacity and there is no two ways
13 about it, no matter how fast anyone builds. Even
14 with massive subsidies we're going to be short and
15 we ought to prepare for that.

16 There's a lot of competition for this
17 resource and the competition is going to ensure
18 that the price goes up. And we've seen it in at
19 least one industry that the ability to withhold or
20 redirect supplies makes for massive profits on the
21 part of some players in the market when the price
22 goes up.

23 I suspect that there may be some of that
24 taking place considering that the bulk of the
25 supply is out of the state and out of state

1 control. We're not likely to have a massive state
2 market any time in the near term. However, it's
3 an exciting, a vibrant industry. NREL, National
4 Renewable Energy Labs in Golden, Colorado are
5 pursuing a major initiative with regard to
6 bioenergy that I think promises not only to expand
7 some of the economic opportunities in terms of
8 biopharmaceuticals or other residual products that
9 can add to the -- provide value-added benefits to
10 this industry, but also to the energy production
11 potential from some of the residual products.

12 So it is a vibrant and exciting industry
13 and one which, in the long term, if we can ever
14 keep our eye on the long-term goal post is likely
15 to provide significant support within the overall
16 energy framework in which we work.

17 I see that I've got other cards that are
18 coming up a little late, so we'll entertain those
19 comments after this item.

20 Commissioners, your pleasure?

21 I'll entertain a motion to accept and
22 adopt this report and allow the Fuels and
23 Transportation Committee to act as far as adding
24 new items by the end of today to the final
25 published version.

1 Is there a motion?

2 COMMISSIONER LAURIE: Moved.

3 ACTING CHAIRMAN MOORE: Moved by
4 Commissioner Laurie.

5 COMMISSIONER ROSENFELD: Second.

6 ACTING CHAIRMAN MOORE: Seconded by
7 Commissioner Rosenfeld.

8 COMMISSIONER PERNELL: On the question.

9 ACTING CHAIRMAN MOORE: On the question
10 on the motion.

11 COMMISSIONER PERNELL: Mr. Chairman, I
12 would just like to personally thank your Committee
13 and staff for the work that's been done on this.
14 I think it's timely, it's in-depth and it
15 certainly takes us in a direction to be somewhat
16 self-sufficient as it relates to additives to
17 fuel. So I do appreciate the work that has been
18 done from all of the staff and the Committee.

19 ACTING CHAIRMAN MOORE: Thank you very
20 much.

21 With that, we'll vote on the motion.

22 All those in favor signify by saying
23 aye.

24 (Ayes.)

25 ACTING CHAIRMAN MOORE: Those opposed?

1 That motion carries four to zero.

2 Mr. Forrest you'd like to offer a
3 comment after the fact? Is that the message I
4 got, you'd like to follow up?

5 MR. FORREST: A good salesman would say
6 when you get a yes vote you should shut up.

7 I'm Loyd Forrest, TSS Consultants. I
8 just wanted to follow up on a comment you made,
9 Commissioner Moore, and also Commissioner Laurie
10 made.

11 Recognize, if I understood the charts
12 correctly on the economic analysis, basically
13 either the consumers are going to be paying a few
14 hundred million dollars for importing ethanol or
15 the state taxpayers would be buying some form of
16 subsidy to the half million dollars. So one way
17 or the other, Commissioner Laurie, there is some
18 offset in terms of the cost to the citizens of the
19 state.

20 Second point is many of these jobs that
21 would be created by creating this industry are in
22 rural areas, both on the forest and the ag side,
23 areas that don't have, as Commissioner Pernell
24 knows, construction jobs. A lot of the citizens
25 in those areas have to travel outside the area to

1 areas like the Bay Area or Sacramento or Southern
2 California just to find employment.

3 I know, Commissioner Laurie, you're from
4 one of the rural areas also. The unemployment
5 rates in some of those areas are 30, 35 percent,
6 so the economic development impact of adding jobs
7 in those areas, and year-round jobs by creating an
8 industry, could have some very significant impacts
9 in many of those rural communities.

10 So I just wanted to add those points and
11 I applaud both the staff's effort and the
12 Commission on the vote.

13 ACTING CHAIRMAN MOORE: Thank you very
14 much, we appreciate those comments.

15 Mr. Kelly, you want to add some comments
16 on the data collection regulations which did pass
17 earlier today.

18 MR. KELLY: Thank you, Commissioners, I
19 apologize for not being here earlier and I
20 appreciate the opportunity to comment now.

21 I have been having some discussions with
22 your staff over the last couple of days regarding
23 those regulations and it's my understanding that
24 you're going to issue a subpoena to the utilities
25 to collect QF generation production data, an order

1 primarily to use that with the ISO to get a sense
2 of the production numbers that are likely to occur
3 in the summer, and we support that.

4 Having said that, though, it would be
5 helpful and we would recommend that these data be
6 treated under your rules for confidentiality that
7 we've worked so hard over the last couple of
8 years. And I apologize again for not being here,
9 I presume that that's occurring, but I just wanted
10 to reiterate that from our perspective --

11 ACTING CHAIRMAN MOORE: I appreciate you
12 putting that on the record. We have every
13 intention of using those hard fought rules on
14 confidentiality to appropriately cloak the data as
15 it comes in.

16 MR. KELLY: Thank you.

17 ACTING CHAIRMAN MOORE: Thank you, sir.

18 Are there Committee reports,
19 Commissioners?

20 COMMISSIONER LAURIE: None from me, Mr.
21 Chairman.

22 ACTING CHAIRMAN MOORE: Counselor, Chief
23 Counsel report?

24 CHIEF COUNSEL CHAMBERLAIN: I'm pleased
25 to give you three items today.

1 The first, in particular, is a pleasure.
2 As you know I introduce new members of my office
3 from time to time. And I have the pleasure this
4 morning of introducing to you Paul Kramer. Would
5 you stand up Paul?

6 You probably have already met Paul
7 Kramer. He's been in our office for almost two
8 months and as a result of his being at hearings
9 and our having long agendas I haven't had the
10 opportunity to introduce him, but I did want to do
11 that.

12 Paul began his academic career at UC
13 Irvine with a BA in Social Sciences. It went
14 downhill from there, however, he went to UCLA for
15 graduate school --

16 (Laughter.)

17 CHIEF COUNSEL CHAMBERLAIN: -- got a
18 Master's in Economics and went to law school there
19 as well, where he was in the top 25 percent of his
20 class. Paul has extensive experience in local
21 government. He's been both with the Yolo County
22 Counsel's Office and also the San Bernardino
23 County Counsel's Office and I believe that he'll
24 be a great contribution to us in both siting and
25 he's also working in the appliance area.

1 ACTING CHAIRMAN MOORE: Welcome.

2 COMMISSIONER PERNELL: Welcome, Paul.

3 COMMISSIONER LAURIE: Mr. Kramer, you
4 know there is a large pool of anteaters located in
5 this building and we meet every Friday night at
6 nine o'clock and do secret stuff, so you're more
7 than welcome.

8 (Laughter.)

9 ACTING CHAIRMAN MOORE: And they have
10 some kind of handshake that they do, so if you're
11 an anteater, apparently you already know that, but
12 welcome aboard.

13 MR. KRAMER: Thank you.

14 ACTING CHAIRMAN MOORE: Thank you.

15 Counselor.

16 CHIEF COUNSEL CHAMBERLAIN: Yes. Second
17 item, I'm pleased, as you may recall at the last
18 meeting we had the U. S. Dataport item before the
19 Commission. I'm pleased to report to you that I
20 understand from Roger Johnson that when the U. S.
21 Dataport development permit went before the
22 Planning Commission of the City of San Jose, many
23 of the same concerns that our staff had expressed
24 on the Environmental Impact Report were expressed
25 by Members of the Planning Commission. And it's

1 my understanding that at the next -- as a result
2 of that the permit was approved by the Planning
3 Commission and will be going to the City Council
4 next Wednesday.

5 But as a result of the discussions, the
6 project is being reconfigured so that the data
7 buildings are now to be two-story buildings which
8 provides room for the power plant that we
9 envision, the larger power plant of say 250
10 megawatts to be included on the private land,
11 rather than requiring a lease from the city.

12 So that if this is approved by the City
13 Council next week, which we at this time
14 anticipate, we may very well see the emergency
15 peaking facilities from that facility coming to us
16 along the timeframe of the action plan that we saw
17 two weeks ago. So I'm very pleased about that.

18 The third item that I would bring to
19 your attention is that the California ISO is
20 considering the development of a market repair
21 team and it has come to my attention that it may
22 be appropriate for the Energy Commission to offer
23 an advisory member to that team and request the
24 ISO to provide that member. I offer that for your
25 consideration.

1 ACTING CHAIRMAN MOORE: And I believe
2 we'll discuss that and probably take action. It
3 could be officially one of our members and with a
4 surrogate delegation, as appropriate.

5 Mr. Larson.

6 EXECUTIVE DIRECTOR LARSON: Nothing,
7 sir.

8 ACTING CHAIRMAN MOORE: And Public
9 Adviser Marija.

10 ASSOCIATE PUBLIC ADVISER KRAPCEVICH: At
11 this point nothing, thank you.

12 ACTING CHAIRMAN MOORE: Is there any
13 member of the public still with us who would like
14 to comment on any item off agenda or something to
15 be brought to our attention?

16 Seeing none, I'd like to let you know
17 that we will adjourn to Executive Session in
18 Commissioner Pernell's office to discuss a
19 personnel item. And with that, this meeting is
20 adjourned.

21 (Thereupon the Energy
22 Commission Business Meeting
23 was adjourned at 12:10 p.m.)

24

25

CERTIFICATE OF REPORTER

I, VALORIE PHILLIPS, an Electronic Reporter, to hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said Meeting, nor in any way interested in the outcome of said Meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of April, 2001.

VALORIE PHILLIPS

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

□